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# West Europe Report

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28 JULY 1986

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POLITICAL

AUSTRIA

# RESULTS OF OeVP PARTY CONGRESS VIEWED

Vienna DIE PRESSE in German 23 Jun 86 p 3

[Article, datelined Innsbruck, by DIE PRESSE editorial staff member Dieter Lenhardt: "In the Direction of the Change of Policy; It Was no Great OeVP Congress but it Was Nonetheless a Notable One"]

[Text] It was no great party congress. But still the gathering of the OeVP delegates, which ended around the late noon hours on Saturday in Innsbruck, appeared to be full of notable speeches, signals and events. Prior to its start it was known that it would be a party congress of high spirits (from below) and dampening warnings (from above). Afterwards it was clear that a strengthened OeVP had started to move in direction of the hoped-for election victory.

In addition a little more was found out about the nature of the sought change of policy by the nearly brilliant first half of the concluding speech by the party chairman, Alois Mock, who was reelected with a triumphal 98.9 percent: He said the mood at departure time should be taken as an obligation. The success will not be sought for the party ("its function is only that of a servant"), he said but "for the fatherland and its citizens." Mock said, one has to go to work with a New Patriotism and take into account the approval which goes out from the people when the "old virtues," such as "courage and diligence, endurance and modesty, decency and sense of family" are mentioned.

What Alois Mock has not yet said: How the most important big reforms of the next legislative period, which must, of course, have priority, are to be carried out in the spirit of the change of policy. Sole exception: Precise ideas on the OeVP-type tax reform already exist. But pension reform? Agricultural reform? The reorganization of the nationalized industry?

But that was perhaps asking for too much for this first party congress after the first big feeling of success which the OeVP had experienced since 1966. Apropos Waldheim: The new federal president, who was supported by the OeVP, appeared at the evening reception, given by the head of Tyrol's provincial government, Wallnoefer, for the party congress, addressed the hosting OeVP delegates with "dear friends" and then invited them as "like-minded persons" to "help implement my program." That was really a bit much if one thinks about it and was evidence of a great deal of self-assurance of the president-elect. But the ones addressed did not notice anything that should have made

them stop short. After all it was this Kurt Waldheim and his victory who had presented them with the now quite obviously unadulterated, unmistakable impetus.

"If a strict standard is used, this party has no more than six or seven ministerial caliber personalities," one of their more critical "party barons" said in conversation at the fringe of the party congress. That is very few. But some of these worthy minister candidates uttered strong signs of life.

Thus Robert Graf, who, following his presentation of the "guidelines" with rather tired contents, was rightly applauded by the party congress like no one before or after him except for Alois Mock. Graf is now more than a splendid wordsmith, he has developed internally as well as towards his party friends a credible political personality. His admonition will accompany the OeVP during the next few months: "We can win the next elections unless we believe that we have already won them."

Thus Josef Taus, who experiences a second spring within the party and from whom harsh formulations are accepted because they come from an objectively competent brain and a remarkable temperament.

Thus Wolfgang Schuessel, who in brief strokes sketched the U.S. tax reforms under Reagan and their relative simplicity and moreover imparted the impression that he reads not only technical literature but he also learns hereby the most important and the right things.

Now to speak of persons with political content, the statements of the party chairman and his deputy, Marga Hubinek, were in a peculiar relationship of tension, which one would hesitate to call fruitful. Hubinek rode the Chernobyl wave although one has to acknowledge that she has always been ecologically committed for the past few years. "The fears of the people have become greater," she stated at the party congress, "the policy must try to duplicate that without regard to all kinds of lobbies." Whereupon Alois Mock in his speech placed into more reasonable proportions what Hubinek had uttered directly before him with ecological totality claims: Of course, technical progress now and then can go astray. "But it would be wrong and dangerous to keep the human spirit from going astray by imprisoning it."

And now to run down the OeVP groupings: The Young OeVP did not cut a bad figure when it discussed some doubtful proposals with great persistence on Friday night, stood up for civil defense and also did not shy away from the frontal dispute with General Secretary Michael Graff sitting on the platform displaying his suspenders. And asked by these very young people, OeVP chief Mock paid tribute to the irresistible spirit of the times: At his recommendation the use of nuclear energy for the time being is dead for the OeVP.

Completely apart from Hubinek, the women in the opposition showed strong signs of life: Not only by tenacious groundwork, by which they pushed more women into the party executive. But also in a quite strong speech by the chairwomen of the women's movement, Marilies Flemming. "We have consciously renounced quotas," she stated, "that does not correspond to the personality of people; a quota does not really settle anything, we leave it unhesitatingly

to the Socialists." What Flemming failed to mention: Of course the active groundwork of the Socialist women in their party has made the advance of the OeVP women easier....

And the three old classical leagues? Economic League president Sallinger sent his eloquent talents into battle and was content with assuring "dear Alois" that not only the party but also the economy stands behind him. OeAAB chairman Herbert Kohlmaier in the election to the party executive was crossed off the list by one third of the delegates because of a rhetorical faux pas a week before ("proletarians in pinstripes"), something that was not funny for his suborganization. Farmers League President Derfler finally enjoyed the pronounced solidarity which the party solemnly promised the farmers in their present crisis.

Only the man with the most splendid slip of the tongue remains to be recorded: Erhard Busek--cannot be put past him that he did it intentionally--transformed the "guidelines" into "light lines." Now the OeVP should really get down to make this preelection platform, which has turned out to be too lightweight, somewhat weightier. There is still time for that until April 1987. Thereafter it could become hectic.

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POLITICAL

FEDERAL REPUBLIC OF GERMANY

GOVERNMENT REPORT DETAILS TERRORIST ACTIVITIES IN 1985

Bonn DIE WELT in German 10 Jun 86 p 10

[Article by Guenter Bading: "Attempts on Human Lives; Report by the Office for the Protection of the Constitution: 'RAF' and 'Revolutionary Cells' Were Especially Brutal"]

[Text] The 1985 report of the Federal Office for the Protection of the Constitution of the Federal Ministry of the Interior, which is to be published today, emphasizes, aside from the growing number of terrorist outrages, the special brutality of these actions by "Red Army Fraction" (RAF) and "Revolutionary Cells" (RZ). In the past year, too, the RAF carried out attacks which were aimed at the killing of people:

--On 1 February 1985, Ernst Zimmermann, the chairman of the MTU firm was murdered;

--On 7/8 August 1985, the U.S. soldier Edward F. Pimental was murdered near Wiesbaden; and

--On 8 August 1985, the RAF carried out a bomb attack on the Rhein-Main Air Base of the U.S. Air Force in Frankfurt. In this connection, two U.S. citizens were killed and 11 other persons were injured, some seriously.

NATO as Main Target

According to the report of the Federal Office for the Protection of the Constitution, the main targets of the attacks were installations of the Bundeswehr and of the NATO alliance partners as well as enterprises with arms production. In second place buildings of the police, of the justice administrations and other authorities were affected as representatives of an alleged "surveillance and oppression state." Other attacks were directed against financial institutions, department stores, and especially against business enterprises which were charged with business connections with the Republic of South Africa. Aside from the above, local topics, such as road construction measures and slum clearance, were the trigger for terrorist acts. Also the "struggle" against the civilian use of nuclear energy remained a topic for terrorist groups.

Aside from the "Red Army Fraction," the "Revolutionary Cells" as well as also small groups or individuals entered the picture with attacks. While in 1984, 116 arson and bomb attacks of these small groups were recorded, this number increased to 162 in 1985. These groups are included in the so-called "autonomous leftists extremist scene" by the Office for the Protection of the Constitution. For the most part they are guided by the concept of the Revolutionary Cells but have hardly any connection with them.

According to the findings of the staff of the Office for the Protection of the Constitution, the development of a uniform "West European guerrilla movement" proclaimed by the RAF and its militant associated groups in statements around the turn of the year 1984/85 has not materialized. In the foreground of these efforts "was the alliance between the 'Red Army Fraction' and the French 'Action Directe' (AD). These terrorist groups declared in a joint communique in mid-January that, for the unity of the revolutionaries in Western Europe, they want to jointly conduct their struggle against the imperialist states as part of the West European guerrilla groups by attacks against the 'central imperialist strategies,'" according to the report of the Office for the Protection of the Constitution. This publication was followed by the two coordinated murders of French General Rene Audran on 25 January 1985 in Paris and of MTU chairman Ernst Zimmermann on 1 February in Gauting near Munich. With that, it was stated in the underground periodical "Zusammen kaempfen" issued by the RAF, the intention was to attack the "motor of the imperialist Europe project," the "Paris-Bonn axis." RAF and AD jointly admitted the attack on the Rhein-Main Air Base on 8 August 1985. Nevertheless there has not been any further organizational and logistic cooperation of both groups.

#### Solidarity Actions

However, at least in the logistics field there has probably been cooperation between RAF and AD with the Belgian terrorist groups "Cellules Communistes Combattantes" (CCC) and "Front Revolutionnaire d'Action Proletarienne (FRAP)). The hunger strike of the imprisoned RAF members led to solidarity actions of leftist extremist groups in the Netherlands, Belgium, France, Spain, Switzerland, and Denmark. Members of the Spanish terrorist organization "Grapo" in this connection admitted an attempted bomb attack against the Daimler-Benz branch in Barcelona.

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POLITICAL

FEDERAL REPUBLIC OF GERMANY

NEO-NAZIS ATTEMPT TO TAKE OVER LEGAL RIGHT-WING FRINGE GROUP

Hamburg DER SPIEGEL in German 16 Jun 86 pp 72-79

[Unattributed article: "'They Will Follow Any Drum'"; first paragraph is SPIEGEL introduction]

[Text] The national chairman of the Liberal German Workers Party (FAP), Martin Pape, is sorry that his organization is enjoying such great support.

From his office in his home in Plieningen, a suburb of Stuttgart, the unemployed businessman and teacher, who was reelected by about 100 faithful at a national party congress in Stuttgart Saturday before last, is waging a lonely struggle against infiltrators and militant supporters with registered letters and denunciations. Pape, 58, has even asked the Office for the Protection of the Constitution [BfV] for assistance, "but the state is letting the matter drift," he complains.

The helpless amateur politician, who wants to clean out the German "pigsty" and is fighting rather indiscriminately against construction speculation, doctors' fees, abortion, and Jesuits and for NATO, SDI, and a neutral united Germany with a "Germanic and Prussian-German heritage," is not the master of his party any longer, because followers of the imprisoned extreme rightist Michael Kuehnen, 31, have turned the FAP into the most active neo-Nazi organization at present. This year,

--sizable arms caches have been discovered among FAP supporters;

--FAP supporters have injured antifascists and aliens with shovels, baseball bats, spray guns with irritants, or switchblades;

--FAP supporters have terrorized political opponents with anonymous telephone calls and threats of murder ("Traitor, Jewish swine, we'll kill you all, Heil Hitler");

--FAP supporters have assembled for paramilitary sports exercises and Nazi memorial events.

FAP guards, some in black uniform, will shout "Sieg Heil" in unison and affix swastikas. After the party congress on 7 June, about 50 intoxicated participants noisily went through the Sillenbuch district in Stuttgart threatening several pedestrians with the words "There is still room for you too in the gas chamber."

Shouting "Down with the Red Front," a fighting squad of the party beat up a handful of left-wing demonstrators in January after a "comradely get-together" in the inn "Zur Muehle" in Duisburg-Walsum. One of the neo-Nazis shot one of the other side in the face with a gas pistol, with the result that, according to the medical diagnosis, the victim may have permanently diminished vision.

FAP fanatics, with a Molotov cocktail, tried to set fire to a building with squatters. Ulm FAP functionary Markus Moessle even robbed three banks. In Hameln in Lower Saxony, an FAP squad last year beat up a young Green so that he had to be hospitalized, and marched to a memorial event at the "Am Wehl" cemetery, where several executed concentration camp henchmen are buried, including Josef Kramer, the commandant of Bergen-Belsen.

When these graves were leveled 3 months ago, about 100 FAP people gathered under a black-white-red flag and shouted "Germany awake" and "Out with foreigners," rendering the resistance salute. "Lifting an arm while bending one's fifth and fourth fingers, and possibly stretching out one's thumb and second and third fingers at the same time," unlike the Hitler salute, "is not against the law," Lower Saxony Minister of the Interior Egbert Moecklinghoff, CDU, once stated regretfully.

Owing to numerous offenses, however, dozens of investigative and penal proceedings are pending in Lower Saxony and North Rhine-Westphalia. In Duisburg, an FAP stronghold, alone, police have recorded more than 30 penal offenses since the end of 1983, ranging from duress to property damage, from arson to grievous bodily harm.

Since several violent offenders were imprisoned, neo-Nazi organizations have openly threatened with terrorism--stating, for instance in the March issue of the North Rhine Westphalia FAP-NACHRICHTEN--KAMPFBLATT DER FREIHEITLICHEN DEUTSCHEN ARBEITERPARTEI that if one "creates political prisoners" one "must not be surprised if one day one calls an RAF (Right Army Faction) one's own."

While Pape was still wondering whether he should kick the person responsible out of the party, enthusiastic support came from the Butzback prison, where the Nazi Kuehnen, who last year had been sentenced to 3 years and 4 months in prison for spreading neo-Nazi propaganda, thanked the "editor" of the sheet with "Heil."

Says Kuehnen about FAP-NACHRICHTEN: "That is no longer staunch, pedestrian, and ethnically unrealistic but tough, clear, militant, and radical, and thus comprehensively equal to all strategic and tactical needs."

Pape is dancing to Kuehnen's tune.

Since the time when, in December 1983, Federal Minister of the Interior Friedrich Zimmermann, CSU, banned Kuehnen's Action Front of National

Socialists/National Activists" (ANS/NA), militant neo-Nazis have been infiltrating the FAP. Kuehnen himself recommended to his fighters the little Kuemmer group in Stuttgart founded by Pape as the new "legal arm of the movement."

It suited the Nazi epigones that though the FAP can be made out to be rightist, its muddled beer hall program does not give the authorities a formal excuse to ban it. Moreover Pape initially welcomed the reinforcement from the right, his sole condition being that everyone had to heed the FAP principles.

In these, Pape, who at one time or other has also stretched out feelers toward the FDP and NDP, professes support for a constitutional state, democracy, and soldiering, calls for reunification in a free state "in which neither communists nor Jesuits have the say," demands that all "ethnic Germans" be brought home and "foreign workers be returned to their countries," and inveighs against alimony and chaos at the schools. Carl-Dieter Spranger, CPU, Zimmermann's parliamentary under secretary, comments on the document as follows: "An overall assessment does not unequivocally yield any extreme rightist trends."

The neo-Nazis pouring in, however, do not give a hoot about Pape's populist potpourri. That was apparent as early as spring 1984, when the first congress of the North Rhine-Westphalia organization was told by its chairman that the FAP was a successor both to the ANS/NA and the NSDAP [Nazi party]. According to BfV people in Baden-Wuerttemberg, Pape is demanding "more and more urgently" that his own party program be respected--with little success. The FAP boss, who is reported to have personally signed 1,000 membership cards, even claims to have expelled about two dozen veteran Kuehnen supporters from his organization.

Yet the lead among the Land organizations (there are seven in all) in Bavaria, Baden-Wuerttemberg, Bremen, Hamburg, and Schleswig-Holstein is in the hands of the Volksgenossen [Nazi term for compatriots] from North-Rhine Westphalia and Lower Saxony. Without any authorization from Pape, they issue their own party sheets issuing a clarion call "for the national socialist German Reich" within the borders of 1939. The FAP wants to "kick out...all foreigners and occupiers together with their lack of culture," and the standard invective of "out with foreigners" is supported by fatuous "racial science": "A horse does not mate with a pig, nor an eagle with a chicken."

Particular care is devoted to the imprisoned Kuehnen, whom Pape calls "a clown." Sometimes the secret leader of the movement is remembered by quoting a verse from the Edda ("A bold man succeeds better than one not bold in holding his own in combat"), sometimes an urgent appeal is launched to donate a new portable typewriter to the prisoner.

On it, Kuehnen in solitary confinement at Butzbach, types instructions for the "comrades of our community" who "in various ways are active" in the ranks of the FAP. What is now at stake, the jailed man writes to the monthly DIE NEUE FRONT printed in Paris, is to "achieve a nationwide candidacy for the Bundestag election in January 1987."

Kuehnen's old comrades, therefore, have occupied many key positions in the FAP. The new BfV report published last week states: "The majority of these persons--without officially declaring that they have joined the organization--profess their 'membership' merely by participating in events and gatherings of the FAP." And experts in the Federal Ministry of the Interior have noticed that, with one exception, the chairmen of the newly founded district organizations are former functionaries of the ANS/NA."

Kuehnen's buddies are also prominent in the most important Land organizations. "Gauleiter" [term for Nazi Land president] Volker Heidel, released from the clink in Celle last year, is the chief in Lower Saxony, and Juergen Mosler, former ANS man and Kuehnen confidant, is deputy chairman in North Rhine-Westphalia.

A couple of years ago, Mosler recruited a storm troopers squad for the FAP, with the extreme rightist Dortmund soccer fan club "Borussenfront," led by "SS-Sigi" Siegfried Borchardt, joining the FAP in a body. The FAP, the 14th Duisburg Police District observed, was seeking "contact with soccer fans and skinheads."

According to the police, the Nazi leader "instigate criminal offenses by juveniles and skinheads" while making it a point "themselves to keep out of committing criminal offenses." The FAP apparently succeeded in attracting particularly adolescents; according to FAP-NACHRICHTEN, "a revolutionary 'Junges Volk' [young people (the youngest members of the Hitler Youth were called Jungvolk)] has been growing up and is pushing toward the top."

The new BfV report notes that "the membership structure is determined by fairly young people of the lower social strata." The average age of new members in Lower Saxony, for instance, according to the FAP Land organization, "is 23.5 years." In North Rhine-Westphalia, the police have found, "more than three-quarters" of FAP supporters "consist of juveniles and adolescents." Says Duisburg Police Chief Guenter Venohr: "They will follow any drum, as long as it is big and dissonant."

At the FAP national congress in Stuttgart too, adolescents between 16 and 20 were in the majority. Some of them sang "Ein junges volk steht auf" [young people are rising] at the start of the congress, until they were silenced by party head Pape, who told them, "Stop, stop at once."

For them, says a former ANS member from Hamburg, the platform and party congress were "too slack and not radical enough." Yet Kuehnen's faithful held back, many of them not having come to Stuttgart in the first place. They thought it was hardly worthwhile to confront Pape ("whoever preaches Nazism does not belong in our party at all").

The ANS old guard has its own plans. According to BfV findings, it does not want to nominate party founder Pape as the leading FAP candidate for the Bundestag election, but an experienced Nazi who to this day boasts of having finished the 20 July [date in 1944 of attempted assassination of Hitler] resistance fighters--Otto Ernst Remer, at one time commander of Hitler's "Grossdeutschland" guard battalion.

It is not the first time that the FAP wants to canvas for votes. After the ban of Kuehnen's ANS/NA, it ran in Landtag and municipal elections in Baden-Wuerttemberg, Hesse, and North Rhine-Westphalia. Its candidates, the BfV noted, "preponderantly were members of the ANS/NA."

Its success was modest. In the Ruhr, for instance, the FAP, while having come up with the requisite 1,000 signatures for being admitted, scratched together only 919 votes. And in Lower Saxony, while admitted to the election last Sunday, the FAP was unable to come up with a list of candidates at the Land level.

More important than votes to the militant neo-Nazis is the opportunity to spread their brown propaganda quite legally among the people in election campaigns ("Out with the Turks," "Freedom for Michael Kuehnen"). Social Democrats, Greens, labor unionists, and Nazi victims, therefore, demand an end to the brown specter. In Lower Saxony 1,500 citizens, and in North Rhine-Westphalia 50,000 citizens, in signature actions, demanded a ban of the FAP.

That, however, according to a confidential study by the Federal Ministry of the Interior, "can be initiated only on the basis of an application for a ban by the Federal Constitutional Court." Though there are doubts about the "solidity of the organization," the analysis states, it can hardly be denied that there is "a lasting striving for parliamentary representation." In other words, the FAP should be "classified as a party."

Consequently, in contrast with Kuehnen's ANS/NA organization, it cannot be dissolved by a simple decree of the Federal minister of the interior, and, in the belief that he lacks the necessary evidence, Friedrich Zimmermann is still reluctant to go to Karlsruhe.

While putting in an appearance throughout the republic on behalf of the FAP, heading district organizations, or running as FAP candidates, Kuehnen's whipping boys often are not registered party members. At present at any rate, according to the study of the Federal Ministry of the Interior, it cannot be stated "with evidence that can stand up in court" that "the activity of the FAP as a whole is directed against constitutional order." Nor are there "sufficient purely factual indications of a change in activity of the FAP along the lines of the banned ANS/NA."

About that the Land ministers of the interior are in disagreement, however. Whereas Bremen's senator for the interior, Volker Kroening, for instance, has demanded a ban of the FAP, Lower Saxony's Moecklinghoff after the Hameln riots recommended that an application for a ban should be filed with the Constitutional Court in Karlsruhe only if it was "highly probable" that the justices would decide against the FAP. North Rhine-Westphalia's minister of the interior, Herbert Schnoor, in turn, is seeking support for an initiative which could request an FAP ban via the Bundesrat [FRG upper house].

BfV people advise against such action as a matter of principle. The man in charge of the Hamburg bureau, for example, thinks it is superfluous to threaten with the "blow of a ban" an organization which is "spreading apart" as it is. And the Hessian Guenther Scheicher asks: "Is it not too great an honor to have the 300 boys, few of whom can think, face the red robes?"

POLITICAL

FINLAND

## NUCLEAR ENERGY, PRESIDENTIAL RACE DOMINATE CENTER CONGRESS

### Party Secretary Opens Congress

Helsinki HELSINGIN SANOMAT in Finnish 14 Jun 86 p 8

[Article by Unto Hamalainen and Anneli Sundberg: "Party Congress in Lappeenranta Opens Election Campaign; Center Party Leaders List Their Enemies"]

[Text] Getting ready for the parliamentary elections, Center Party (KEPU) members now know who the party's worst enemies are. At the party congress in Lappeenranta on Friday party secretary Seppo Kaariainen made it clear that the leading opponents are the Conservative Party, the Social Democrats and Imatran Voima (IVO) [Imatra Power Company]. The congress delegates were, however, more interested in the election of officials.

Party secretary Kaariainen fanned the flames of their election enthusiasm first by boasting to the thousands of KEPU members gathered in Lappeenranta's new sports arena how the KEPU has saved the country from a fifth nuclear power plant.

"If Prime Minister Kalevi Sorsa, Minister Seppo Lindblom and Conservative Party leader Ilkka Suominen had had the opportunity to decide, construction of a fifth nuclear power plant would be in full swing," Kaariainen maintained.

"Actually, the IVO, which controls the country's supply of electricity, with the backing of the SDP [Social Democratic Party] and the Conservative Party brought matters to such a head that the decision-makers were caught in a forced situation: Choose between a shortage of electricity or a nuclear power plant.

"Laying the foundation for nuclear power involved a campaign of persuasion that cost tens of millions of markkas, one by means of which decision-makers were persuaded or even pressured. The greasing of palms extended as far as the rank and file and it took place with large sums of money, and in the process KEPU supporters all over Finland were also soundly duped."

Kaariainen also proposed that an unqualifiedly negative stand on the construction of new nuclear power plants be written into the government's postelection program. Kaariainen's proposal will also become a party congress position.

## SDP Tired, Suominen a Top

Personally, Kaariainen would have been prepared to go even farther, to gradually eliminate the present nuclear power plants too, but he did not get the party congress behind him.

In assessing the worst election opponents, Kaariainen did not spare his words; the Social Democrats are tired and their appeal is gone. They have had to seek guidance from past decades.

"The SDP certainly has the power, but not so much support," Kaariainen quipped.

He felt that the Central Federation of Finnish Trade Unions is the Left's most influential party. According to Kaariainen, the SDP is a prisoner of chairman Pertti Viinanen.

He said that the Communists led by Arvo Aalto are aiming at becoming an auxiliary party of the Social Democrats. In Kaariainen's opinion, the Stalinist minority may become a real leftist alternative, but that will not be apparent before the elections.

Kaariainen criticized the Conservative Party for its fickleness and for running after the opinion polls. He said that Ilkka Suominen spins like a top with regard to energy issues, which "looks comical coming from a big man."

## After the Souls of the Greens

In speaking of centrist cooperation and in wooing the Greens, the party secretary employed more refined language. He admitted that cooperation with the Liberals, who are becoming independent, went just as had been expected in Lappeenranta, but he loudly wished his little brothers good luck in the elections.

According to the party secretary, things went well with the Swedish People's Party delegates. Kaariainen hoped that the Christian Leaguers would gradually consolidate their position in the Center, which is what they seem to be trying to do.

Kaariainen judged their relations with the Rural Party to be more complex. Cooperation went reasonably well, but he did not know whether it would continue. According to Kaariainen, there were Vennamos at every exit.

Kaariainen tempted the Greens to side with the KEPU by appealing to them on the basis of similar objectives.

## Comprehensive Election Coalitions

Kaariainen said that the KEPU is striving for an election coalition with the Christian Leaguers, the Liberals and the Swedish People's Party in the parliamentary elections that is as comprehensive as possible. Not entering into an election coalition would, according to Kaariainen, imply substantial reasons of state.

"Personal or cliquish reasons will not be good enough to keep us from entering into an election coalition."

In Kaariainen's opinion, the Center clearly has a chance to surpass the Social Democrats as the biggest delegation in Parliament.

The party congress in Lappeenranta is also chairman Paavo Vayrynen's coronation congress. He is to become the KEPU's presidential candidate. According to Kaariainen, the KEPU has behaved in a clearcut manner and without a lot of gesturing in the presidential race, which cannot be said of the others. Both the Conservative Party and the Social Democrats are joining the race contrary to earlier decisions.

The party secretary announced that the presidential election campaign would not begin until after the parliamentary elections and the formation of the government in the fall of 1987. Kaariainen anticipated that the hammering on Vayrynen would increase, but he thought that Vayrynen could stand it.

#### Vice Chairmen Interested Them

Kaariainen's topics have not interested the congress participants much. The participants have displayed much greater interest in who are to become the party's vice chairmen. Even nuclear power has been overshadowed by Pekkarinen, Pokka and Pentikainen's supporters.

Interest has been focused on the vice chairmen because both the chairman and the party secretary are a matter of course, as is the presidential candidate. In 6 years time Vayrynen and Kaariainen have succeeded in securing for themselves superior positions which no one appears to be capable of threatening.

The KEPU congress lasts for 3 days. Resolutions will be made Sunday when they will also celebrate the 80th anniversary of the journey from Santeri Alkio to Paavo Vayrynen.

Friday evening the session was cut short towards evening so that the congress participants would have a chance to check on their leaders' skill at taking pulses. At the local dance hall, teamed with Member of Parliament Tytti Isohookana-Asunmaa, chairman Vayrynen showed them how to dance folk dances after months of practice.

#### Contest for Vice Chairman

Helsinki HELSINGIN SANOMAT in Finnish 14 Jun 86 p 8

[Article: "Into the Party Leadership Even If on Horseback"]

[Text] Lappeenranta (HS)—The KEPU began to fill its third vice chairman's post as early as Friday in the discussion of matters even though the election will not be before Sunday. The party members are enjoying the race for the vice chairmanship in which Hannele Pokka and Matti Pura are already sure to win vice chairman's seats.

Who is the lucky one who will get from 800 to 900 KEPU delegates to back him and make a big jump in his career toward a ministerial post?

There are some 10 candidates. Member of Parliament Juhani Tuomaala, 39, of Kurikka is waging the most energetic campaign. He has even hitched up his trotting horse to participate in it. Master and horse appear neck and neck on an election sticker Tuomaala has had printed. There are no representatives at all of horsemen in the party leadership. Pura is also a breeder of bulls.

At the opening session Pura squeezed himself in to sit behind Paavo Vayrynen, but they will not get Vayrynen to sit behind Tuomaala, not even on horseback; there is not room in the party leadership for two foreign ministers of the same age.

That is to say that Juhani Tuomaala is Parliament's self-appointed foreign minister. In its Friday news section the chief KEPU party organ reported that Tuomaala had received — like a requisition — an invitation to go to Moscow on behalf of the Interparliamentary Union. In the reader's column this same traveler reminisced about precisely his previous trip to Moscow.

Tuomaala, however, lacks the most important thing: His own northern district does not support him. "Of course, I would back Tuomaala if he were to move away from here," a gruff northerner remarked in justification for his rather harsh attitude.

#### Leadership's Candidate for the Leadership

The top party leadership supports science of religion professor Juha Pentikainen, 46, of Helsinki for vice chairman. Pentikainen is being marketed as the father of seven children, who professes the faith of Lars Levi Laestadius, familiar to Northern Finnish Centrists.

Pentikainen's election organizer is Juhani Pekkala, a younger member of Ahti Pekkala's extended family. He does have experience, since he headed Ahti Karjala's election campaign in his time.

#### Forward Together

The third front runner has two names. Party twins Member of Parliament Esko Aho, 32, of Veteli and Member of Parliament Mauri Pekkarinen, 37, of Jyväskylä are running hand in hand for the chairmanship vote.

Neither of them speaks ill of the other, but neither of them is willing to yield to the other. Together they would have yielded to Eeva Kuuskoski-Vikatmaa, 40, but Eeva is now aiming higher.

The twins are Vayrynen's men right down to the way they part their hair, both of them former political secretaries. At the last party congress they ran the Vayrynen-Pura pile driver splendidly, but now they do not know how things will go. With their own legwork Aho and Pekkarinen have amassed from 200 to 300 votes, but a sign from Vayrynen would help them get into the party leadership.

But what can they do that Vayrynen cannot do better?

On Friday Marjatta Vaananen, 60, had her own race. Several women dressed in national costume once again asked their Munkkiniemi hostess to join them, but she was not brave enough.

Old friends Marjatta Vaananen and Johannes Virolainen, 72, are both trying to get into Parliament from Uusimaa. One will be elected, so Vaananen could not run the risk of a defeat in the vice chairman election.

#### Markku Nurmi Too Smart

General manager Maija-Liisa Lindqvist of Lahti and Dr Markku Nurmi of Helsinki are also candidates. Neither of them will be elected.

Lindqvist will not be elected because she is unknown. Nurmi will not be elected because he is known. Nurmi had the courage to lecture on the dangers of nuclear power at the risk of losing his post in the Ministry of Trade and Industry during those years when KEPU leaders were scheming with others to build a fifth nuclear power plant.

The obstinate Nurmi exasperated Vayrynen and Esko Ollila. The doctor of technology was simply too smart about the ins and outs of nuclear power for the party bosses, who felt stupid. Seppo Kaariainen does not support Nurmi because Kaariainen speaks smoothly against nuclear power with Nurmi's information.

#### Juhantalo Forgotten

Are there any other volunteers? There is talk of parliamentary delegation chairman Kauko Juhantalo, 42, but the man from Kankaanpää scarcely feels like becoming a candidate. That is to say that he would run the risk of being elected.

Juhantalo learned a hard lesson in his attempt to become finance minister. Vayrynen did not remember to mention Juhantalo at all when he proposed the ministerial candidates. Vayrynen proposed his friend, Ollila, and praised his opponent, Toivo Ylijärvi. He completely forgot Juhantalo.

A vice chairman Juhantalo is promised the same fate. The man would attend meetings, but in chairman Paavo Vayrynen's eyes there would be a blind spot as far as Juhantalo is concerned.

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28 July 1986

POLITICAL

FINLAND

## PROBLEMS SEEN FOR CONSERVATIVES IN HOLKERI CANDIDACY

Helsinki HELSINGIN SANOMAT in Finnish 14 Jun 86 p 8

[Commentary by Janne Virkkunen: "Harri Holkeri's Lost Years"]

[Text] Not quite 2 years from the presidential elections, the debate is again in progress these days in lively and heated fashion despite the fact that the parliamentary elections, which will be coming up as elections prior to the presidential election, are still 9 months off.

The alignments for the presidential election are also beginning to be clear and they surprise no one. The SDP [Social Democratic Party] candidate will in all probability be President Mauno Koivisto, the KEPU's [Center Party] Paavo Vayrynen will finally get to be an official candidate at the end of this week and the Conservative Party will probably throw bank director Harri Holkeri into the race. At least in this way it will be fitting for us to pass judgment on the bombastic interview with Holkeri SUOMEN KUVALEHTI conducted a couple of weeks back.

The other candidates that are turning up in the race are more fillers than real alternatives, people who may be attractive, but who are primarily needed because they fill the starting squares on the gameboard.

If the Conservative Party is forced to — as now appears to be the case — again attempt to get Holkeri elected president, it will in many ways be an interesting and problematic decision. First of all, this decision is quite safe: It will not give rise to controversies within the party. So it is in all respects a convenient and easy decision for the party leadership.

Secondly, Holkeri was at least moderately successful the last time. He came in second with 58 electors voting for him. So now the Conservative Party could achieve roughly the same result, even rather easily.

Then come the problems, which will by no means be small ones and which may be fraught with consequences from Holkeri's standpoint. As early as the previous election of Koivisto, the biggest problem with Holkeri's rigid and overly tuned election campaign was credibility: How many of those who voted for Holkeri really believed that they were voting for a candidate who had a real chance of becoming president?

Holkeri is now facing the same wall of credibility, which is perhaps thicker than before, since for the past 4 years bank director Holkeri has mostly been jogging and skiing in public and has not participated at all in the discussion of, for example, national policy, Finland's possibilities in a tense world situation or other similar issues.

Simply put, Holkeri has lost 4 years of opportune time, which he should have used in a completely different way if he really pictured himself as a presidential candidate for the second time.

On the other hand, it would be easier to understand why Holkeri was keeping out of sight if he really thought he would remain a bank director and he has now been forced into a situation in which he will end up as Koivisto's challenger.

Four years of Koivisto have clearly weakened Holkeri's chances of overcoming the credibility gap, beating Vayrynen and after that even Koivisto.

Vayrynen again became foreign minister only a year after the presidential election. Since then he has been working assiduously on behalf of his presidential candidacy. With his widely publicized numerous trips abroad, Vayrynen has such a strong lead that it will be hard to catch up with him.

The Conservative Party's chances, on the other hand, rest on Vayrynen's new image's not taking hold with the voters. This possibility should not be excluded either, but it would work more to the benefit of the president now in office than to Holkeri's.

Holkeri has said that he is not interested in how big a lead the president in office has and in whether it is possible to catch up with him. Viewed from the way things stand now, Holkeri's job is a huge one.

Koivisto has been president for 4 years now, as a result of which he has no credibility problem, although Koivisto's term in office has naturally brought down exaggerated expectations in the eyes of the voters.

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POLITICAL

FRANCE

# CONSTITUTIONALITY OF SECURITY LAWS QUESTIONED

Paris LE MONDE in French 17 June 86 p 12

[Article by Jacques Robert: "Security? Liberties!--A Look at the Chalandon and Pasque Bills"]

[Text] A new conflict is brewing in the National Assembly. Prior to the summer recess, Minister of Justice Albin Chalandon intends to argue his security bills on terrorism and breaches of government security, crime, legal penalties, and identity card checks. And then there is the Home Secretary's bill on foreign nationals and the creation by decree of a computerized identity card (LE MONDE, 20, 23 and 28 May).

Will the Constitutional Council approve these reforms? Are they, as Mr Chalandon contends, in conformity with the European human rights convention? In other words, isn't the government risking condemnation of its bills? In the following article, Jacques Robert professor of public law at Paris-I university, examines the issue.

The innovations in the government bills on the security of persons and property are very cleverly presented and often contain vague, ambiguous terminology that lends itself to various interpretations. Nonetheless, some of them appear to contradict on several accounts either the basic principles of constitutional criminal law or European treaty guarantees designed to protect our liberties.

I. Currently, five major principles of our criminal law, as affirmed by the Constitutional Council, appear to be taking a bit of a beating. (Footnote 1) (See Loic Philip, *La constitutionnalisation du droit penal francais*." (Revue de science criminelle et de droit penal compare, 1985, no. 4, pp. 712 and following.))

A. The judiciary, guardian of personal freedom.

Are we not running rough-shod over this principle by conferring new powers on the police and civil service, thereby diminishing accordingly the authority of the courts of law?

In the future, the flagrancy of the crime would be replaced by the weight of the evidence. Police speed and know-how would determine the choice of procedure. It will of course be said that a hurried trial is perhaps better than unnecessarily long provisional detention. But are we really reduced to a choice between flagrancy and ineffectiveness?

In the past, banishment and deportation were sentences pronounced for crimes of illegal entry and residence. They penalized breaking the rules, not threatening public order. These punishments were not decided by an agent of the Executive but by a judiciary judge following minutely defined procedures. Now they are to become administrative decisions and, thus, no longer subject to the judge's initial intervention?

B. "Nullem crimen, nulla poena sine lege." Only law can create a new crime and determine the corresponding punishment.

Yet today we are witnessing the emergence of new procedures for combatting terrorism, apparently unaccomplished by any attempt to formulate a precise definition of the "crime of terrorism." A list, no matter how exhaustive, cannot take the place of a definition. Quite obviously, such a notion is hard to define--but it is precisely the duty of the legal experts to show imagination, competence and terminological exactitude.

#### Presumption of Innocence

C. The presumption of innocence. A person is presumed not to have committed a crime as long as he has not been declared definitively guilty.

As applied to freedom of movement, this principle should imply that any citizen has the incontrovertible, lawful right to come and go anywhere in the country without carrying any documents, since he is not constrained by any authorization or statement and is presumed above suspicion. Therefore, someone who neither has nor carries an identity card is not committing a criminal offense.

However, under the new bills, the humblest judiciary police agent acting outside of any criminal investigation would be entitled to ask any person whatsoever for proof of identity, simply to prevent a possible breach of public order. Should the person asked be unable or unwilling to provide proof, the agent would then be entitled to take him to the police station, keep him there for several hours, and, if he continued to refuse, take his finger prints and his photograph, without obtaining the authorization of a judge. In the event that the individual also refused to cooperate with these corroborations and finger-printings, he would be committing a misdemeanor.

Therefore, in the future a person could be stopped, taken into custody, given a police record and convicted, only to see the abusive process of administrative detention, which had served as a pretext for the identity check, struck down perhaps 3 years later as an action ultra vires!

For the present, the computerized national identity card is not legally mandatory, but to be effective, it will have to become so. Moreover, can a system for the manufacture and management of such cards be created by simple decree, when Article 34 of the Constitution stipulates that rules concerning fundamental guarantees granted citizens for the exercise of public freedoms can only be set by law?

D. Respecting defense rights.

Is this principle truly upheld if, in criminal court, when a plea for reduced sentence is contested by the public prosecutor, the condemned cannot call on a lawyer to defend his case and attempt to obtain the reduction?

E. No one may be removed from his natural judges.

This principle means that specialized courts or tribunals cannot be tailor-made for the exceptional trial of exceptional offenses. Common law jurisdictions must suffice. These jurisdictions are competent to hear an entire case in a predetermined territory. Currently, this principle appears threatened on two fronts.

First, terrorist cases would be centralized in specialized tribunals under Parisian jurisdiction. Specifically, Paris would be competent to hear any terrorist case arising anywhere in the country. Is this not turning our backs both on our era's principles of decentralization and on the procedural rule of "territoriality"?

A second more serious infringement is that terrorist cases of a criminal nature would be judged by an assize court made up entirely of professional magistrates. In short, popular justice is to be put aside and a new special jurisdiction created for reasons of "state security." Worse, while the judges of the old state security court were named by the government for a specific term, in the future the presiding judge of the new Paris assize court and his assessors would be appointed for life by the chief justice of the Paris court of appeals on the sole basis of the nature and importance of the case to be judged.

The government bills are not entirely in accordance with international treaties and conventions either.

I. Firstly, insofar as "personal security" is concerned, Article 5-1-c of the European Human Rights Convention authorizes the deprivation of personal freedom only when a person has been arrested and detained because there are plausible reasons either to suspect that he has committed an offense or to think that there is a need to prevent him from committing one. However, the proof-of-identity bill stipulates a detention period of several hours independent of these suppositions.

In the now classic Lawless case, the European Court stated in the clarification of the text of the European Convention that a person can be "deprived of freedom" only to prevent offenses to peace and public order or government

security. (Footnote 2) (European Human Rights Court, July 1, 1961. Under suspicion of belonging to the IRA, Mr Gerard-Richard Lawless was arrested and subsequently detained in Northern Ireland in a military camp under conditions which he contested.)

II. As concerns detention, the European Convention (Article 5, Paragraph 3) stipulates that any person arrested or detained must immediately be brought before a judge. Of course, the European Convention does allow the signatory governments some discretion in interpreting and applying the speed requirement. The period generally allowed is 48 hours. But what about 4 days? Or 6 days?

III. With regard to the expulsion of foreigners, the European Community Court of Justice has stated that in order to justify certain government restrictions on freedom of personal movement, the notion of public order presupposes the existence of "a real threat of sufficient seriousness, affecting a fundamental social interest." (Footnote 3) (European Community Court of Justice, case 30-77, Regina C., P. Bouchereau, October 27, 1977, plea 1999.) The new bills do not contain any similar requirement.

IV. In addition, expulsion destroys family life. However, according to Article 8-1 of the European Convention, each person has the right to "the respect of his private and family life." Thus, in the case of expulsions pronounced to protect order or discourage the commission of offenses, the European Court only accepts those that follow the condemnation of the accused for criminal offenses.

Yet in the future, a foreigner could be expelled from France if he constituted a simple threat to public order or engaged in "schemes harmful to French foreign policy." A person who might have remained at liberty in France for several years could be expelled as a result of a sudden change in our foreign policy.

#### The Future of the Right of Asylum

V. Lastly, there is cause for concern regarding the future of the right of asylum, granted by the Universal Declaration of the Rights of Man to all those who are persecuted in their struggle for freedom.

Indeed, an application to the French office for Refugees and Stateless Persons [Office française de protection des réfugiés et apatrides, or OFPRA] would have to be accompanied by a residence permit. Yet a foreigner whose presence might constitute a threat to public order could be refused entrance; in order to apply for asylum, he would first have to surmount the public order barrier. Therefore, OFPRA could only rule on cases admitted by the Home Office. Administrative authority could thus short-circuit the application before it reached OFPRA.

There is no free society without security, and no security without justice. Fortunately, however, there is no fundamental incompatibility between a free society, public order and proper justice. The minister of justice was right to remind us of this as he did in his recent, timely remarks.

A balance must be found. But where are the measure and the golden mean?  
All democracies attempt to find them. Few are able to do so without difficulty or error.

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POLITICAL

ICELAND

#### HAFSKIP BANKRUPTCY WIDENING INTO NATIONAL SCANDAL

Helsinki HELSINGIN SANOMAT in Finnish 14 Jun 86 p 31

[Article by Marjatta Isberg]

[Text] Reykjavik—The bankruptcy filed last December by Iceland's second-largest shipyard, Hafskip, is widening into the biggest scandal in the economic history of the country. Now that all the claims have been totaled, they amount to two and a half times more than the original value, or 2.4 billion Icelandic kronur (over 250 million markkas).

The estate's assets amount to a good fifth of that. Claims against the estate have come from the most varied of quarters, among them the New York dockworkers pension fund. A creditors' meeting will be held in Reykjavik next Tuesday.

Hafskip's biggest creditor was the Icelandic Utsvegsbanki Islands, which would probably also have gone bankrupt as a result of the affair if it had not been state-owned.

Right from the start, there was talk of scandal in connection with the Hafskip bankruptcy. At that time current Minister of Industries Albert Gudmundsson's position was alluded to. He had served simultaneously as both chairman of the Utsvegsbanki board of directors and chairman of the Hafskip board.

When he became minister in 1983, however, Gudmundsson resigned from both posts. He denies that there was any conflict of interest in his position since the board of directors of the bank does not handle the granting of individual loans.

#### Managers in Jail, Prime Minister Embarrassed

The little scandal caused by the minister was, however, forgotten on 21 May when Iceland's Central Criminal Police demanded that six former Hafskip employees, among them the chairman of the board and the general manager, be placed in custody for well over a month.

To place someone in custody in Iceland a court judgment is required, and the highest court shortened the time in custody by a week. The time in custody

has now expired, but on Thursday the Central Criminal Police renewed its demand for an extension of the custody term for the chairman of the board and the general manager.

The attention the affair has received and the publicity aroused by the minister of industries' role in it has also put Prime Minister Steingrímur Hermannson's government into an unpleasant position, even though the minister has not been questioned or accused of any abuses. He asserted that he was guiltless in a newspaper article last Thursday.

Hermannson admitted that he had received a rather large check from Hafskip, but he said that what was involved was the customary rebate for the wholesale business that he owned. He said that he had received a trip to France as a gift for his 60th birthday, but that other companies had also given him substantial gifts.

#### "Double" Bookkeeping

Nothing pertaining to the investigation of the Hafskip bankruptcy has been officially announced but, according to the manager of the company's former U.S. branch office, the persons now in custody had unconcernedly used company funds for their own purposes, purchased property abroad and transferred funds to secret accounts.

It is claimed that they kept two kinds of books in the company, one for the stockholders and the other for its managers. With falsified accounts they have lured people to subscribe for new shares since the beginning of 1985, when the company's capital stock was increased. Aside from the company's own employees, Icelandic businessmen were also purchasers. They issued notes for the shares that were subscribed for, but not many managed to redeem them before the company finally went bankrupt. The receivers are now demanding that they settle their debts and that has put many of them in a tight spot.

Utsvegsbanki Islands employees have also been questioned in addition to Hafskip's managers. They were asked to explain how it was possible for a lender not to have kept track of the situation better. When bankruptcy was declared, Hafskip's debts to the Utsvegsbanki were twice the bank's liquidity. They also tried to explain the disparity as being in part due to the recent decline of the dollar and the collapse of ship prices.

#### United States Has Changed Shipyards

Hafskip's decline began 3 years ago when it lost the shipping it had for years engaged in for the American base at Keflavik in Southwestern Iceland. The Americans appealed to a law dating back to 1906 which guarantees vessels sailing under the U.S. flag preference in shipments to and from bases.

The Rainbow Navigation Inc. shipping company was founded in 1983 in the United States to handle nothing but Keflavik shipments. Since then, the Icelandic

foreign minister has been stubbornly negotiating with regard to the situation, but so far to no avail. The Icelanders are demanding equality as concerns shipping.

Hafskip also regularly sails to Finland.

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POLITICAL

PORTUGAL

# CAVACO SILVA IN ACTION: PERSONALITY, BEHAVIOR

## Comparison with Soares

Lisbon EXPRESSO in Portuguese 24 May 86 p 3

[Article by Jose Antonio Saraiva: "Cavaco's Heel"]

[Text] The poll published eight days ago by EXPRESSO confirmed what had long been suspected: the majority of the Portuguese rate Cavaco Silva as a good or very good prime minister.

With respect to Mario Soares, the poll yielded no surprises either: more than half of those polled rated the performance of the president of the Republic as adequate.

All in all, it may be said that the country now has the right president and the right prime minister.

It has the right president because the chief of state should represent the best possible national consensus: neither the right nor the left should see him as an implacable enemy. And Mario Soares, given a negative rating by only 3.7 percent, is today the most acceptable national figure to the various political movements.

The country also has the right prime minister, not only because no one else has ever achieved such high popularity, but also because (unlike Soares) the reactions which he evokes are not neutral.

Cavaco Silva was rated good or very good by 61.4 percent of the Portuguese, but 10.8 percent rated him poor or very poor.

These are precisely the reactions that a prime minister should evoke.

A head of government who does not provoke opposite reactions in the electorate, from enthusiastic support to diametrical opposition, would be a poor head of government, because this would mean that he is politically amorphous or is not doing anything.

The country thus has Mario Soares and Cavaco Silva in the right places.

But will it have them there for long?

This is where doubts arise.

Due to his personal traits, Mario Soares will surely remain in the presidency until the end of his term. It is even possible that he will run again in 1991 and be elected for five more years.

But Cavaco Silva?

Will he make it to the end of his term?

The prime minister's psychological profile is vastly different from that of Mario Soares.

Soares does not take things too seriously.

He knows that he can lose a few elections when a brighter star than his is shining, which happened when he ran against Sa Carneiro in 1979 and 1980, but he believes he can win again when the star goes out and everything returns to normal.

Mario Soares, then, does not consider defeats too important, nor does he accept any defeat as final.

He falls down but he gets up again.

In the long run, his resiliency, which wears his opponents down, makes him a virtually unbeatable politician.

Cavaco Silva is practically the opposite of Soares.

Taking his showing (and himself) altogether too seriously, the prime minister always considers any setback an irreparable personal defeat.

Able to evoke great enthusiasm, he would hardly have the strength of spirit to bounce back while so greatly depressed.

A tense man, he would remain on his feet as long as he could, but one has the feeling that when he fell, he might not get up again.

In this regard, it might be said that while Soares is a rubber doll who would bend but not break, Cavaco seems to be a china doll who would break but not bend.

Thus, the current situation raises some questions.

The presidency of the Republic is stable.

As for the government, however, everything depends on the prime minister's resilience since, as the poll published 8 days ago has also shown, no government (with the exception perhaps of Sa Carneiro's) has depended on the prime minister as much as this one does.

## Governing Style

Lisbon EXPRESSO in Portuguese 31 May 86 p 27-R

[Article by Eduardo Prado Coelho: "Style and Government"]

[Excerpts] 1. Earlier we wrote about our current government's formula, but we did not get around to discussing what I at that time called style and results. At this point, perhaps we could hazard a thesis: the main result of Cavaco Silva's government is the creation of a new governing style. This style, as has been amply shown, irritates or even attacks the political class and its public agents at a very deep level although it creates esteem and confidence among the less politicized groups of the population. It would even be valid to suspect that this esteem among the popular sectors increases in direct proportion to the political class' intensity of attacks on the government. This power play sometimes goes under the label of populism.

2. Cavaco Silva's first trait is confirmation of authority. In fact, the prime minister lumps all issues together as a function of clearly demonstrated will. And he maintains an intransigent attitude within the party toward any deviations. It is thus feared that this authoritarian style will spread to the rest of the country. However, we must admit that the country is now experiencing a peaceful, relaxed atmosphere without obvious persecution, segregation or manipulation. How can this seeming paradox be explained?

The first reason is simple. It is a fact that earlier prime ministers (Sa Carneiro, Mota Pinto, Mario Soares) had already taken care of these "clean-up operations" in government and public relations. The second reason is more surprising: it derives from the fact that this government, unlike earlier governments, does not seem to be involved in a crusade against any monstrous enemies. In this regard, it is curious to note that of all the recent governments including those which were primarily socialist, the current government uses anti-communist rhetoric least (which, moreover, has been one of the objective factors in the weakening of the PCP). Cavaco Silva's only strategic concern is an attempt to link the PS (and sometimes the PRD) to the PCP in the eyes of the public (and in this he is assisted by the PS itself, which has become more radical in order to distance itself more visibly from the policies of the PSD).

The third reason has to do with his expert use of public relations policy. It is clear that any information is conditioned by a certain perspective on power. This is always the case, and it would be ingenuous to suppose that things happen differently today. What is interesting is that this manipulation has now been completely de-dramatized, toned down, made ordinary, freed from direct despotic intervention by political officials and is done by professionals instead.

3. The fourth reason has to do with the way in which invitations and appointments are made. It is true that Cavaco Silva only appoints those he wants as he wants. But he has managed to make it seem that these appointments have nothing to do with ideology or patronage. It should be pointed out that the proposal sent to Maria de Lourdes Pintasilgo concerning a position in the UN is significant -- an attitude which could almost be understood as an admonition to Freitas do Amaral and Mario Soares.

4. All the commentators systematically mention rigidity. Cavaco Silva has a dry, austere way of talking, at times awkward, almost always tense, and at times weak when attacking (remember his pitiful speech on the night of Mario Soares' victory). But we must balance this picture with two traits that might explain his real popularity in terms of public opinion.

The very tension and lack of ability that characterize many of his speeches reinforce the fundamental aspect of his standing: Cavaco Silva always achieves the image of someone who deeply believes in what he is saying.

It is true that this government is not making any of the structural reforms that it said it would, but it continues to leave the impression (whether true or false) that it would make reforms if conditions were right.

5. Meanwhile, it is easy to predict that after a period of internal stabilization of the various parties, Cavaco Silva will have to make a qualitative leap in his governing plan if he wants to maintain the relative "period of grace" which he has been enjoying.

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POLITICAL

PORTUGAL

U.S. TRACKING STATION CONSTRUCTION IN ALMODOVAR MAY BE DELAYED

Lisbon O JORNAL in Portuguese 29 May-5 June 86 p 3

[Excerpt] The Portuguese will be able to delay construction of the American satellite-tracking station in Almodovar to speed up receipt of promised payments when the Lajes Base agreement is renewed in 1986. These payments are earmarked for three different areas: financial support for the Azores, assistance in modernizing the Armed Forces and financing the Luso-Portuguese Foundation which channels American investment to Portugal. Secretary of Defense Caspar Weinberger, in a recent visit to Lisbon on short notice, tried to explain that the delays were caused by ceilings which Congress is about to impose on expenditures of this kind. A Portuguese diplomat involved in the negotiations explained to O JORNAL that the American government has a habit of making such explanations to "blame Congress, which is not otherwise consulted when an agreement is signed and obligations are assumed." This is not to deny that Congress is reviewing cuts in defense spending on the order of 20-30 percent. In trying to take advantage of the extreme interest which the Americans seem to be showing in the star wars station at Almodovar, which was agreed upon in principle in 1984, but whose final installation is still snarled in bureaucratic and political red tape, Portuguese diplomacy is trying to attract hard currency. Another diplomat added, "At the rate, Cavaco's era saw the beginning of greater prudence on Portugal's part in its relations with the United States, now that Portugal is also obligated to take the position of Common Market capitals into account in its foreign relations."

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POLITICAL

TURKEY

## FUNCTION, CONCEPT, IMPACT OF NON-BUDGET FUNDS EXAMINED

Istanbul DUNYA in Turkish 14-17 May 86

[Four of a multi-part series by Assembly Deputy Professor Turkan Arikan:  
"Funds: 'Bottomless Well'"]

[14 May 86 p 7]

[Text] The issue of extra-budgetary funds has recently been extensively debated in the Turkish Grand National Assembly [TGNA] as well as the press. I would like to convey to scholars, the business world and the public some of the limited information I have been able to collect through written inquiries as an Assembly deputy. I believe that it is essential to debate and to examine the advantages and disadvantages of the funds from a standpoint of the Constitution, national will, democracy and the budget and to have new proposals on this issue for the future of our democracy and the sound administration of our economy. This series of articles was prepared for this purpose.

As is known, the collection of public revenues and taxes and the expenditure of public money must comply with the Constitution and the laws. This is the purpose of all laws enacted to regulate the collection of public revenues and the expenditure of public funds. These laws include the tax laws, the budget laws, the Public Accounting Law, the Law on the Exchequer and Audit Department and the State Contract Bidding Law. Because of these laws, annual budgets and final spending authorizations are subject to the approval and control of the TGNA.

These strict rules regulating the collection and expenditure of public funds have generally upset governments. As a result, virtually all governments in the republican period have resorted to the establishment of intra-budgetary and extra-budgetary "funds" as a way of skirting the laws (rather than making the regulations more flexible) on the pretext that strict regulations slow down or block government operations.

### Concept of Funds

Before proceeding any further, it is helpful to explain the concept of funds. In a very general sense, funds are defined as follows: Funds are sums of money or other resources allocated for the realization of a certain activity

or the attainment a certain goal subject to specified conditions. Each fund is a separate accounting entity.

Funds can be classified in several ways, such as expendable, revolving or conditional funds. While such classifications are beyond the scope of this series, it would be helpful to explain two implementation methods. The concept of funds is currently implemented outside the scope of public revenues in two major ways:

- 1) In the first method, funds are set up in the Central Bank or another bank with money allocated from the budget or revenues raised from extra-budgetary sources for use on certain purposes.
- 2) In the second method, a certain duty is assessed on imports or exports and is transferred to the funds established by the first method. In this form fund constitute an additional financial liability or a quasi-tax. Also, a certain premium is paid for exported goods from these funds in the banks. In this form, they constitute an incentive or subsidy for certain sectors and corporations.

#### Ways of Establishing Funds

My observations indicate that there are four ways of establishing funds:

- 1) A certain amount of money is allocated for funds from ministry budgets and the fund is used for specified purposes by the appropriate ministry.
- 2) A certain amount of money is allocated for funds from ministry budgets, and the funds are used by the appropriate ministry or organization on a revolving basis for subsidies, incentives or other purposes.
- 3) Money is allocated for funds both from ministry budgets and from extra-budgetary sources. The funds are used by the appropriate organization or individual on a revolving basis for subsidies, incentives and other purposes.
- 4) Money is procured for the funds only from extra-budgetary sources. The funds are used by the appropriate organizations or individuals on a revolving basis for subsidies, incentives and other purposes.

#### Importance of Funds

Why are funds so important today? To give an answer to this question we must look at the differences between funds established by previous governments and the ones established by the Motherland Party [MP] government. These differences are summarized in Table 1.

Table 1. Differences between funds established under previous governments and those established under the MP government

Funds established under previous governments	Funds established under the MP government
1) 84 funds were established in the past 45 to 50 years.	1) 19 funds were established in the last 2 years.
2) The funds were small.	2) The size of the funds has grown substantially.
3) There were limited extra-budgetary sources for fund revenues.	3) The share of extra-budgetary sources in fund revenues has grown significantly. This situation is causing major problems.
4) There was little preference for extra-budgetary funds.	4) Preference for extra-budgetary funds has increased. This creates major drawbacks for the effectiveness of the legislative organ and public auditing.
5) Each fund was used for its designated purpose to the extent that was possible. Transfers between funds virtually never occurred.	5) All funds are used for many purposes. This is resulting in unproductive utilization of resources. There are unaccounted, unsystematic and arbitrary transfers between funds.
6) Fund expenditures were not subject to the provisions of laws 1050, 832, 2490 and 2886. But they were largely regulated by the Exchequer and Audit Department.	6) Fund expenditures are once again exempt from the provisions of laws 1050, 832, 2490 and 2886. However, changes in Law No. 2886 and the fund allocation regulations have prepared the ground for arbitrary fund allocations. The trend to evade control by the Exchequer and the TGNA has accelerated.
7) There was no trend toward increasing the control of three to five persons over the funds.	7) The influence, right of say and control of three to five persons has increased over most of the funds.

#### Number of Funds

So far a total of 103 funds have been established as shown in Table 2. Of these, 11 have been abolished. Thus there are 92 funds at present. During the tenure of previous governments, that is in 45 to 50 years, 84 funds were established. Since 11 funds have been abolished, the number of existing funds established by previous governments is 73. During the tenure of the MP government, that is in 2 years, 19 funds have been established.

The problem is that even the government does not know the exact number of funds. For example, the Office of the Prime Minister said in its official statement of 24 February 1986 that 9 funds were established during the tenure of the MP government. During the discussion of my proposal for an investigation of the funds by the TGNA, the government admitted that 17 funds were established under the MP government and tried to evade questions by insisting that some of the funds should not be counted as new funds because they are renamed versions of previously established funds. However, as shown in Table 3, in the last 2 years the Ozal government has established neither 9 nor 17, but 19 funds.

Given this situation, can one believe a government which is not capable of even keeping track of the number of funds when it says that these funds are administered and controlled very seriously?

Table 2. All funds established to this date

Existing funds

Ministry of Labor and Social Security

1. Fund for Fines Collected from Workers

Ministry of National Defense

2. NATO Fund

Ministry of Communications

3. Fund for Building and Buying Ships and Building and Developing Shipyards

Ministry of Energy and Natural Resources

4. Minerals Fund
5. Mining Fund
6. Fuel Price Stability Fund
7. Fund for Oil Exploration and Petroleum-related Activities

Ministry of National Education, Youth and Sports

8. Physical Education Directorate General Fund
9. Fund for the Encouragement of Turkish Sports
10. Student Fees Fund
11. Student Social Assistance Fund
12. Higher Educational Council Fund for Selection and Placement of Students
13. Research Expenses Fund

Ministry of Culture and Tourism

14. Fund for the Development of Tourism
15. Fund to Assist Municipalities of Touristic Regions for the Purchase of Watering and Refuse Collection Trucks
16. Fund to Assist the Repair of Protected Immovable Cultural Monuments
17. Fund for the Support of Cinematic and Musical Arts

#### Ministry of the Interior

18. Civil Defense Fund
19. Fund for Assistance to Needy Soldiers' Families
20. Provincial Special Administration Fund (part controlled by the Ministry of the Interior)
21. Local Government Fund (part controlled by the Ministry of the Interior)
22. Infrastructure Investment Fund
23. Fund for the Development of Traffic Services

#### Ministry of Industry and Trade

24. Cement Fund
25. Vegetable Oils Price Stabilization Fund
26. Insurance Fund
27. Guarantee Fund
28. Industrial Credit Fund
29. Organized Industrial Zones Fund
30. Fund for the Installation and Maintenance of Small Artisan Centers
31. Fund for the Development of Small Artisan Cooperatives
32. Fund for the Development of Small Industries
33. Fund to Encourage People's Enterprises
34. Fund to Assist Factory Training Centers
35. Fund for the Promotion of and Training for Cooperatives

#### Ministry of Agriculture, Forestry and Village Affairs

36. Fund for Government Assistance to Agricultural Village Cooperatives and Their Supervisory Organizations
37. Handicrafts Fund
38. Fund for Assistance to Farmers Hurt by Natural Disasters
39. Fund for Lending Seeds to Needy Farmers
40. Land and Water Credit Fund
41. Agricultural Reform Fund
42. Private Housing Fund
43. Fund for the Development of Forest Villagers

#### Ministry of Public Works and Resettlement

44. Earthquake Fund
45. Natural Disasters Fund
46. Fund for the Construction of Government Worker Lodgings
47. Fund for the Construction of Public Housing in Underdeveloped Areas
48. New Settlements Credit Fund
49. Fund for Construction Implementation, Nationalization and Organization
50. Fund Under Governors' Jurisdiction in Accordance with Law No. 2981
51. Municipalities' Share from the Fuel Consumption Fund (part controlled by the Ministry of Public Works and Resettlement)
52. Local Government Fund (part controlled by the Ministry of Public Works and Resettlement)
53. Municipalities Fund

### Ministry of Finance and Customs

- 54. Currency Exchange Differential Compensation Fund
- 55. Fund to Pay the Expenses of Projects that Have Foreign Financing
- 56. Auxiliary Compensation Fund
- 57. Nationalization Fund
- 58. Fund for Paying the Education and Training Expenses of Foreign Military Personnel
- 59. Fund for Acceleration of Investments
- 60. Public Vehicles Guarantee Fund
- 61. Financing Fund
- 62. Value Added Tax Fund
- 63. Fund for the Development of Tax Administration

### Office of the Prime Minister

- 64. Material Assistance Fund for Villages That Wish to Build Their Own Mosques
- 65. Cash Compensation Fund in Accordance with Law No. 2330
- 66. Martial Law Expenses Fund
- 67. Fund for Priority Development Regions Designated by the State Planning Organization
- 68. Fund for the Prevention of Environmental Pollution
- 69. Fuel Consumption Fund
- 70. Free Trade Zones Fund
- 71. [Unknown term] Fund
- 72. Border Trade Fund
- 73. Turkish-German Fund
- 74. Public Housing Fund
- 75. Public Partnership Fund
- 76. Promotion Fund
- 77. Fund for the Development of the Defense Industry
- 78. Blocked Funds Fund
- 79. Broker Liquidation Fund
- 80. Special Accounts Fund
- 81. Securities Regulation Fund
- 82. Saving Deposits Insurance Fund
- 83. Fund for the Development of Exports
- 84. Fund for Encouraging Exports
- 85. Price Support and Stabilization Fund
- 86. Resource Utilization Support Fund
- 87. Development and Support Fund
- 88. Fund to Support Organizations Assigned to Insure the Remuneration of Firms Working Overseas and Workers Who Face Financial Difficulties While Working in These Firms
- 89. Capital Market Council Fund
- 90. Selective Credit Fund
- 91. Foreign Credit Currency Exchange Differential Fund
- 92. Accounts for Payments to be Made from the Price Support and Stabilization Fund by the Money Credit Institution in Accordance with Directive No. 41.

### Funds That Have Been Abolished

1. Common Traffic Fund
2. Shanty Houses Fund
3. Fund for Banks' Risks
4. Bank Liquidation Fund
5. Interest Matching Fund
6. Stability Fund
7. Price Adjustment and Support Fund
8. Interest Differential Rebate Fund
9. Fund for Foreign Currency Risks
10. Fund in Accordance with Law No. 3780
11. Foreign Currency Exchange Fund

Table 3. Funds established under the MP government

Ministry	Fund	Law or Council of Ministers Decision Number and Date
Office of the Prime Minister	1. Public Partnership Fund	2983, 3-17-1984
	2. Public Housing Fund	2985, 3-17-1984
	3. Foreign Credit Currency Exchange Differential Fund	84/7898, 4-14-1984
	4. Fuel Consumption Fund	3074, 11-17-1984
	5. Development and Support Fund	84/8800, 12-7-1984
	6. Resource Utilization Support Fund	84/8860, 12-15-1984
	7. Border Trade Fund	85/9113, 2-7-1985
	8. Free Trade Zones Fund	3217, 6-15-1985
	9. Promotion Fund	3230, 6-28-1985
	10. Fund for the Development of the Defense Industry	3238, 11-13-1985
	11. Fund to Support Organizations Assigned to Insure the Remuneration of Firms Working Overseas and Workers Who Face Financial Difficulties While Working in These Firms	85/10210, 1-4-1986
Ministry of Finance and Customs	12. Value Added Tax Fund	3065, 11-2-1984
	13. Fund for the Development of Tax Administration	3239, 12-11-1985
Ministry of Public Works and Resettlement	14. Fund for Law No. 2981 on Public Works	2981, 2-24-1984
Ministry of the Interior	15. Infrastructure Investment Fund	3030, 7-9-1984

Table 3. Funds established under the MP government (continued)

Ministry	Fund	Law or Council of Ministers Decision Number and Date
Ministry of National Education, Youth and Sports	16. Fund for the Encouragement of Turkish Sports	3040, 7-13-1984
Ministry of Agriculture, Forestry and Village Affairs	17. Agricultural Reform Fund	3083, 12-1-1984
Ministry of Energy and Natural Resources	18. Mining Fund	3213, 6-15-1985
Ministry of Culture and Tourism	19. Fund for the Support of Cinematic and Musical Arts	3257, 2-7-1986

[15 May 86 p 7]

#### [Text] Size of Funds

The size of the funds has grown significantly in the last 2 years. As a result, the budget that is debated in the TGNA has lost its meaning. The consolidated budget for 1986 is 7,251 billion Turkish liras, but no budget was submitted to the TGNA with regard to the expenses of the more than 90 funds. The 1986 budget includes allocations for certain funds totaling about 450 billion Turkish liras. On the other hand, the funds will need at least 3,500 billion Turkish liras from budgetary and extra-budgetary sources. This means that 3,000 billion of this amount has to come from extra-budgetary sources, and that constitutes 42 percent of the 1986 budget.

As is seen, while the budget is discussed in the TGNA, extra-budgetary revenues and public expenditures totaling 3,000 billion Turkish liras remains beyond the control of the TGNA.

Comparisons with some 1985 figures are truly interesting. Amounts collected for extra-budgetary funds in 1985 has exceeded the combined budget authorizations of most of the ministries.

As shown in Table 4, 1,051 billion Turkish liras were deposited in 6 funds in 1985. These funds were: The Public Housing Fund, the Public Partnership Fund, the Development and Support Fund, the Fuel Consumption Fund, the Price Support and Stabilization Fund and the Resource Utilization Support Fund. This amount exceeds the combined 1985 budgets of 11 ministries, namely the ministries of

National Education, Youth and Sports; Health and Social Assistance; Culture and Tourism; Justice; Energy and Natural Resources; Communications; Agriculture, Forestry and Village Affairs; Industry and Trade; Public Works and Resettlement; Interior; and Labor and Social Security. Even if adjustments are made for resource transfers between the funds, the total revenues of the said 6 funds would approach the combined budgets of the 11 ministries.

Table 4. Comparison of 1985 Fund Revenues and Ministry Budgets (billion Turkish liras)

Extra-budgetary Fund	Budget
1. Public Housing Fund	302
2. Public Partnership Fund	251
3. Development and Support Fund	62
4. Price Support and Stability Fund	267
5. Fuel Consumption Fund	52
6. Resource Utilization Support Fund	117
Total	1,051
Ministry	Budget
1. National Education, Youth and Sports	466
2. Health and Social Assistance	137
3. Culture and Tourism	34
4. Energy and Natural Resources	22
5. Justice	80
6. Communications	23
7. Agriculture, Forestry and Village Affairs	93
8. Industry and Trade	26
9. Public Works and Resettlement	124
10. Labor and Social Security	9
11. Interior	21
Total	1,035

In addition, 327 billion Turkish liras were deposited in the Fund for Oil Exploration and Petroleum-related Activities and the Fuel Price Stability Fund. As shown in Table 5, the combined budgets of these two funds is 15 times the 1985 budget authorization for the Ministry of Energy and Natural Resources.

Table 5. 1985 Fund Revenues and Ministry Budgets (billion Turkish liras)

Extra-budgetary Fund	Budget	Ministry	Budget
1. Fund for Oil Exploration and Petroleum-related Activities	75	Energy and Natural Resources	
2. Fuel Price Stability Fund	252		22
Total	327		22

It is evident that the funds have become "bottomless wells," and the government budget has lost its meaning and has been turned into a leaking bucket. It is no longer possible to conduct any economic, social or cultural analyses on the basis of budget figures and to take legislative decisions on the basis of such analyses.

How much money has been allocated for investments in 1986? How much will total expenditures be for education or educational investments? How much will public sector personnel be paid? These questions can no longer be answered on the basis of budget figures. Because all types of expenditures can be made on investments, education, personnel and other items from extra-budgetary funds. For this reason, TGNA's decisions regarding the budget are based on invalid and meaningless assumptions. Constitutional provisions and budget principles have been violated because articles 161 and 163 of the Constitution stipulate that public expenditures be based on the government's budget which must be approved by the TGNA.

In recent years, there have been important developments in Western countries with regard to "fund accounting" (which includes government accounting), but this has not resulted in disorderliness and lack of methodology, planning and control. Such accounting is on the contrary aimed at preventing unproductivity and waste and an system which increases the effectiveness of legislative control and which insures the effective and productive utilization of available resources. It is unfortunate that the Ozal government prefers disorganization.

#### Problems Associated with Extra-budgetary Funds

The establishment of very large funds outside the budget in the last two years, the procurement of unplanned and unaccounted revenues from extra-budgetary sources for these funds and the unplanned and uncontrolled expenditure of these revenues has created several major problems. The funds have become means of fanning the inflation rate; fostering unfair competition, arbitrary and personal preferences and waste; establishing companies; evading oversight; and giving extraordinary powers, above and beyond the control of the TGNA, to a few individuals.

#### Funds and Inflation

We would like to underscore the adverse effect of revenues raised from extra-budgetary sources on the inflation rate with two examples:

1) As is known, revenue sharing bonds have been issued to raise revenue for the Public Partnership Fund. In order to pay for the commitments made by these bonds, the electricity rate has been steadily increased. According to the response of the Ministry of Energy and Natural Resources to my written question, the cost of electricity at the Keban hydroelectric power station is 1.13 Turkish liras per kilowatt-hour. However, electricity is sold to consumers at 60 Turkish liras per kilowatt-hour. Industry uses nearly 24 billion kilowatt-hours of electricity each year, and the cost of electricity is reflected in production costs. Assuming that the industrialist, the wholesaler and the retailer each take a profit of 25 percent over their costs, the electricity that is sold for 1,400 billion Turkish liras to the industry will cost 2,700 billion Turkish liras to the consumer. On the other hand, if electricity were to be sold at 30 Turkish liras a kilowatt-hour (considering the cost of electricity generated by other power stations and imported from overseas) to the industry, the total energy cost would be reduced by 1,300 billion Turkish liras which would save each household 130,000 Turkish liras a year or 11,000 Turkish liras a month. When we consider that the salary raises given to our civil servants and retirees through adjustments in the salary coefficient is much less than 11,000 Turkish liras a month, it is clearly seen that because of waste and disorganization in the funds the mainmast of the country is being burdened with invisible costs through hikes in electricity rates. Thus, such an implementaion is fanning the inflation rate.

2) The 1986 consolidated budget is 7,251 billion Turkish liras while the extra-budgetary revenues of the funds total nearly 3 billion Turkish liras. If the funds had been included in the budget, the budget would have totaled around 10 trillion Turkish liras.

Most of the revenues collected from extra-budgetary sources for the funds constitute additional financial liability, that is a type of tax, for the taxpayers. Revenues raised from imports and exports; assessments made on sales of fuel and other consumer products; and excise tolls charged on cement and timber sales, insurance premiums, the profits of certain public corporations and banks are all hidden taxes whether they are called excise tolls or funds. Consequently, the tax revenues stated in the budget do not reflect the truth.

Expenditures are made from the funds for investments, housing and general public services. However, some of these expenditures are wasted on dead investments that do not generate steady production and employment. According to the responses I have received from the ministries to my written questions, large amounts of money have been spent on dead investments.

The covert financial support provided from the funds to rescue certain enterprises which have not made any investments and which are designed to meet personal needs is an example of such waste.

Excessive investments and luxury expenditures made in government offices and service buildings are another example. Such investments revitalize the economy only for a brief period through construction activity. After the construction is finished and all the expenditures are made, they become dead investments which do not generate any production or employment.

If, on the other hand, these expenditures are primarily channeled to investments which can generate production and employment, they can have a positive effect on inflation.

Furthermore, revenues raised from assessments on imports and exports (except those on luxury goods) are causing cost inflation. While it is often argued that the funds system was endorsed to foster an atmosphere of competition and to protect domestic industries, it is clear that a "trial-and-error" course is being pursued. These unplanned and disorganized implementations are causing cost inflation and are fostering unfair competition rather than free competition.

If the funds are included in the budget and all revenues and expenditures are based on certain principles and planning, there may not even be any need for domestic borrowing, and the budget deficit may be closed.

#### Funds and Effectiveness of TGNA

I believe that the trend to move funds outside the budget--which has primarily been observed in the last 2 years--will create major problems in terms of the effectiveness of the TGNA and its oversight powers.

As a result of these extra-budgetary funds, the TGNA has been forced to operate with a limited budget. However, articles 161 and 163 of our Constitution are very explicit on this issue.

When the Populist Party demanded the repeal of the law establishing the Public Partnership Fund on grounds that it violated the Constitution, Ozal said that the proposal was rejected by the Constitutional Court and that, therefore, the law was not unconstitutional.

The following phrases in the Constitutional Court's ruling on this issue is very interesting:

"The establishment of a fund outside the general and consolidated budgets may be allowed provided that the need to make speedy decisions and timely expenditures with regard to a planned service and the bounds of necessity are not exceeded.

"Paragraph 3, Article 161 of the Constitution envisages legislation which may introduce special time frames and procedures with regard to investments related to development plans or for work and services that may last over a year. Since Law No. 2983 envisages the speedy realization of public investments by supplying steady and reliable sources of revenue with the use of additional financing resources procured through the encouragement of savings, the Public Partnership Fund established by Article 4 of the said law--which is the issue in this case--must be considered as one of the 'special procedures' mentioned in the said article of the Constitution."

I would like to point to two phrases in the ruling: a) "... provided that the need ... to make timely expenditures ... and the bounds of necessity are not exceeded"; and b) "Since [the law] envisages the speedy realization of public investments ... with the use of additional financing resources ..."

In my opinion, these two phrases underscore the following points: a) The funds must not exceed the necessity to make timely expenditures; b) they must not exceed the bounds of necessity; and c) their goal must be to accelerate public investments with the use of additional financing resources.

However, when we look at the existing extra-budgetary funds as a whole, we get the following picture:

a) The total budget of the existing extra-budgetary funds has reached 42 percent of the 1986 consolidated budget. Their combined budgets will exceed the government budget in the coming years. In other words, the bounds of necessity have long been exceeded.

b) The funds no longer bear any relation to the timely realization of investments. Because some of the revenues collected by some of the funds are kept in time deposit accounts in banks rather than being used in accordance with their stated purpose. For example, some of the revenues collected by the Fund to Encourage Turkish Sports has remained in a time deposit account for the last 2 years.

Moreover, some of the income of the funds is being used outside their stated purposes. For example, the income of the Public Housing Fund has been used to issue treasury bonds. As the name of the fund suggests, the said fund was certainly not established to issue treasury bonds.

c) Noninvestment expenditures are also made from the extra-budgetary funds. Such expenditures include spending for general and social services. In other words, some of the spending bears no relation to the acceleration of public investments.

The Public Partnership Fund and the Public Housing Fund are special purpose funds, and their main objective is to procure resources for infrastructure investments and public housing construction. Therefore, the Constitutional Court's ruling regarding the Public Partnership Fund cannot be applied to all 93 existing funds.

Apart from that, the Ozal government has established extra-budgetary funds in such profusion that their purpose goes beyond the goal of accelerating investments and solving the housing problem. The dominance of three to five persons over the funds has increased. In my opinion, this situation violates articles 6 and 10 of the Constitution. The auditing of the funds by certain oversight agencies cannot replace the TGNA's oversight functions. These new oversight agencies perform administrative audits. The truth is that political oversight is essential in funds of this magnitude. If we really believe in the concept of national will, the opposition must be allowed to have a say in the oversight of these funds.

The people pay for the funds' income directly or indirectly. A major portion of that income is a type of tax no matter what it is called. The people have a right to see an accounting for these revenues which is collected from them. This can only be done by giving oversight and approval authority to the TGNA, which is the representative of the national will.

[16 May 86 p 7]

[Text] Funds and Unfair Competition

Practices used in both the collection and the spending of fund revenues have created unfair competition. Personal and private favoritist tendencies are observed in the allocation of resources from the funds.

This situation has created unfair competition a) at the company level, b) at municipality and city level and c) at the worker level.

1) Fund assessments made on some imports is kept low, while the premium paid for certain exports is kept high. For example, the Turkish currency equivalent of \$1 is assessed on each metric ton of iron and steel products imported, and the equivalent of \$20 is paid in premiums on each metric ton of iron and steel products exported. If a company imports 200,000 metric tons of iron and steel products and reexports it, at a net gain of \$19 for each metric ton, it would realize a profit of \$3.8 million, or 2 to 2.5 billion Turkish liras. Such a practice causes both import and export figures to go up. The same situation has been occurring with respect to the import and export of live animals, lentils, chickpeas and certain other goods. Who has exported these goods? Who has imported them? Are there direct and indirect links between those who export them and those who import them? Has there been any trading between those who have exported them and those who have imported them? Answers to be found to these questions may expose the truth.

2) In 1985, Emin Hattat was given a loan of 2.7 billion Turkish liras at 25 percent interest from the Tourism Development Fund. While the loan was obtained for the purpose of building a hotel in Ankara, it is seen that it has not been used for its stated purpose. Thus, an interest subsidy of 1.4 billion Turkish liras has been provided to a family firm. This is a covert company rescue operation.

3) The Fund to Encourage Turkish Sports has allocated 313 million Turkish liras for 8 provinces. Of these, Trabzon was given 95 million Turkish liras and Gaziantep was given 90 million Turkish liras. It is unclear what criteria were used in this allocation. I do not mean that these provinces do not deserve this money, but are the other provinces less privileged? It appears that political priorities have played a role in the allocations; senior MP officials and a former National Education Minister who are currently deputies of those provinces in the TGNA have exercised their influence.

The same fund lent 40 million Turkish liras to the Galatasaray Club. Why have other clubs not been given the same privilege? In addition, the Fund for the Acceleration of Investments authorized 200 million Turkish liras for repair and maintenance services at the Galatasaray Lycee. I believe that the Galatasaray alumni, who are generally in good financial condition, could afford to pay for the repair of their school. Many village schools in various parts of Turkey do not even have classrooms. Some villages cannot have teachers because they have no lodgings or rental housing for teachers. The government has been appealing to the generosity of the citizens for educational investments and building schools. Is there not any connection

issue and stress "separate but equal" education will be achieved within a decade, despite critics pointing out that separate can never be equal.

De Lange insists a unitary education would create a "monolithic bureaucratic monster".

However there are currently 18 education departments which are likely to be pruned to 14 in the future with the scapping of provincial administrations. And there is an education department for each major race group, each major black ethnic group under the homelands and each province.

## **Equal education**

Confusingly, De Lange says he has recommended a "single department of education responsible for macro-policy matters, focussed on providing equality of opportunity in education."

Although he admits he is not clear about the focus of "People's Education" (created as a pre-liberation response to Bantu Education) De Lange says it is : "Educationally unsound to teach the young to overthrow by violent means, an order that is changing. The hard fact of education is that one has to learn to read, write and count, to become oriented in knowledge and value systems ... and thus help the country make a living.

"Politicians do not do this, and if you turn all children into politicians, then that is the only ability they acquire and obviously you're heading for disaster."

/13104

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SOUTH AFRICA

EMIGRATION INQUIRIES INCREASE AFTER EMERGENCY

Johannesburg THE STAR in English 20 Jun 86 p 11

[Text]

The declaration of the state of emergency in South Africa does not appear to have had an immediate effect on emigration statistics — but more people are making inquiries about leaving the country, several foreign consulates revealed.

Mr Theodor Sledenburg, vice consul for the Netherlands, said more passports had been issued this year, but it was difficult to say whether this was linked to the political situation.

It was too early to tell whether the announcement of the state of emergency had had an effect on statistics, he said.

"We have had a lot inquiries — much more than normal — particularly from youngsters trying to establish whether they have any rights to Dutch citizenship or passports. This is definitely linked to the political situation," he said.

It was difficult to keep track of Dutch nationals entering and leaving the country because the consulate was not always informed. Often travel documents were already in order.

There were still people entering South Africa from the Netherlands, although this trend was on the decline.

There was definitely no rush of people clamouring at the consulate doors to apply for passports.

"But every day we have a few calls from Hollanders inquiring about going home. This

is only the tip of the iceberg as many are familiar with conditions there themselves, or just ask friends.

"I do not think people would leave just because of the imposition of the state of emergency.

"People wishing to leave the country are hampered by factors such as the unfavourable exchange rate," he said.

Contributing to the reasons for people wishing to return to Holland was the unemployment situation. People would rather go to Holland where they could enjoy social security benefits, he said.

Austrian consul Mr Gerhard Dedic said there had been a definite increase in the number of Austrians inquiring about the possibility of going back to Austria.

"It is too early to say whether the state of emergency has affected the situation," he said.

There had been a lot of South Africans trying to lay claim to Austrian passports, but this was not easy because of its strict immigration laws.

People appeared to be sounding out the emigration situation, but there was no rush on passport applications, he said.

He said there were still instances of people leaving South Africa and returning after a while.

It was difficult to say whether there had been an increase in West German nationals leav-

ing the country, a spokesman for the West German consul general said.

He said the demand for passports was normal and was not dependent on the internal South African situation.

There had definitely been no rush for passports.

A Canadian consulate spokesman said there had been an increase in the number of people applying for Canadian passports but this was due to a relaxing of the immigration laws and not to the South African situation.

Emigrant interest in Canada was as high as usual, he said.

A United States consulate spokesman said they had received more telephone calls from people inquiring about the possibility of living in the United States.

This interest had been main-

ained for several months.

There was no increase in the number of passport applications.

● In the first five months of last year, 11 496 fewer immigrants came to South Africa than in that period in 1984, and 2 754 more people left the country than in the previous year.

According to figures issued by the Central Statistics Service in Pretoria, last year 17 195 immigrants arrived in South Africa during the first five months of the year, the lowest number since 1981 when 41 429 came to the country.

The number of people leaving the country over the same period last year was 10 709, the highest number in five years.

In 1984 there were 28 691 immigrants in the first five months of the year and 7 955 emigrants.

/12828

CSO: 3400/83

SOUTH AFRICA.

## TEACHERS ADDRESS DETERIORATING RELATIONSHIP WITH DEC

Cape Town CAPE TIMES in English 24 Jun 86 p 11

[Article by Ronnie Morris]

[Text]

ONE theme that underlined the 19th annual congress of the Cape Teachers' Professional Association (CTPA) last week was the fast-deteriorating relationship between teachers and the Department of Education and Culture.

A warning that the battle lines had been drawn came during the presidential address of Mr Franklin Sonn last Tuesday, when he accused the department — and by implication the Labour Party — of "blatant administrative mismanagement".

He also criticized the interference of LP MPs in "highly sensitive, private and professional matters", such as promotions.

Another message Mr Sonn preached with missionary zeal was the need for teachers to remain united. He often referred to an annual teachers' conference in Kimberley in 1943 which ended in a split in teacher ranks, and he made

emotional appeals to teachers not to let it happen again.

Standing ovations and wild cheering greeted the speeches and addresses of Mr Sonn, who was elected as CTPA president for the 11th consecutive year.

During the three-day conference, the Department of Education and Culture, House of Representatives (DEC), and its political head, Mr Carter Ebrahim, faced sustained and scathing attacks.

Among the issues raised were the non-implementation of promotional posts which had been created in 1984, the non-delivery of stock and apparatus — forcing teachers to buy it themselves, the delay in day-to-day repairs to schools, discrimination against woman teachers and non-payment of salaries.

Matters came to a head on Thursday when, after a lengthy and fiery debate, the CTPA decided to withdraw its repre-

sentatives from "racist government structures" in the DEC and the Department of National Education.

The Union of Teachers' Associations of South Africa (UTASA) — an umbrella body comprising the CTPA, the Transvaal Teachers' Association, the Orange Free State Teachers' Association and the Society of Natal Teachers — took a similar decision a day later.

The Orange Free State Teachers' Association was the only dissenting voice and opted for selective withdrawal. It said it would withdraw from the "own affairs" committees but would remain on the "general affairs" committee.

A man who is destined to play a major role in educational matters is the youthful CTPA vice-president, Mr Randall van den Heever.

It was he who introduced the motion calling for complete withdrawal and it was he the CTPA used as its "big gun" to persuade delegates to

vote for the motion.

But the man who won the day with his charisma and charm was undoubtedly the former Leader of the Opposition in the House of Assembly, Dr F Van Zyl Slabbert, who was cheered continuously while delivering a keynote address at the UTASA conference last Friday.

During the day he was mobbed by large numbers of people asking him to autograph their conference programmes, to be allowed to pose for photographs with him or just meet him.

Delegates made no bones about the distaste with which they regarded the racial basis of the education system and called for a non-racial democratic system of education, equal, in all respects, for every citizen of the country.

Many strongly-worded resolutions were adopted at the congress. Many of them, however, cannot be quoted as they would contravene the emergency regulations.

/9274

CSO: 3400/226

SOUTH AFRICA

REPORTERS TAKE GOVERNMENT SPONSORED TOUR OF BLACK TOWNSHIPS

Durban POST NATAL in English 25-28 Jun 86 p 16

[Article by Kanthan Pillay]

[Text]

THE first stop on the Bureau's itinerary seemed a bit odd.

On a roadside on the way to Inanda, several people had set up shacks which played a vital role selling goods which were not otherwise available in the area.

One such shack belonged to a traditional medic — a *muti* man or witchdoctor if you prefer — and this was our first port of call.

It was quite obvious that our guides — Police PRO Captain Winston Heunis and a uniformed sergeant — were familiar with the place.

The person they had come to see, the witchdoctor, was not home. A buxom woman with a baby strapped to her back told us very politely that he would be in the following day.

Inside the shack, a domestic hen and several chicks chattered endlessly amidst several strange-looking herbs and liquids and a large shock of horses hair.

We left, setting off in the direction of Inanda.

That visit to the witchdoctor's shack proved to be — for me at any rate — the highlight of the tour.

As we approached the entrance to Inanda, our driver made a U-turn in front of the police station — and we set off back in the direction from which we had just come.

Weren't we going into Inanda?

No, we were told. Kwa-Mashu would be our next stop.

We drove through a back entrance into Kwa-Mashu. Along the way, two soldiers were dispensing fresh water to a queue of people from a tanker.

Could we stop here, a reporter asked.

Yes, replied Captain Heunis, but no photographs of the army vehicle were to be taken.

"We'll get the picture cleared by Pretoria," the reporter said.

Captain Heunis accepted. "Make sure you get the picture cleared first," he said.

He repeated what had been said earlier on in the journey... No pictures were to be taken without his permission.

We went on.

At the centre of Kwa-Mashu, a large wall stood plastered with slogans supporting anti-government organisations. "Can we stop here?" the reporter asked.

No.

From KwaMashu, we left via Newlands East and up along the outer

ring road into the Western Freeway going towards Pinetown.

We stopped at the Pinetown Police Station. The SABC reporter with us had to pick up his cameraman who was waiting at the police station. The SABC team, camera and all, got into their own minibus, and followed us for the rest of the tour, unsupervised.

We drove through KwaNdabeka and Clermont, our driver keeping to the main roads at all times.

Our requests to be taken down through the side-alleys and back streets were turned down. "Most of these roads are dead-ends and the bus cannot be turned at the end," our guides said.

In Clermont, more graffiti supporting organisations ranging from the ANC to the UDF were on the walls. Sorry, no pictures.

We moved on to Chesterville — home of the *A-team* and the *Comrades*. We were taken through the townships to where about a dozen people were hacking away at the grass.

These were the Department of Manpower's R4-a-day workers, our driver said. Yes, said Captain Heunis, we could take pictures.

What about the gutted shell of a house we passed on the way?

No, no pictures.

We moved on towards the township's recrea-

tional centre — the soccer field and swimming pool. The swimming pool was only half-full and encrusted with green algae. Workers were busy paving the surrounds.

Would we like pictures, Captain Heunis wanted to know.

Of what, the empty swimming pool? We declined.

Outside the pool area, in the soccer field, some children played. Captain Heunis went up to them, asked them to kick around their ball so that we could take pictures.

They responded enthusiastically. I asked photographer Puri Devjee to move in and take pictures.

"No, not from that side," Captain Heunis said.

But, the photographers said, if we shoot from that direction, our cameras will point to the sun.

Heunis was adamant. Then I saw why... graffiti on the concrete fence.

We then stopped the tour. We had seen enough.

At the start of the tour, at the same police station, Port Natal CID chief Brigadier John van der Westhuizen had asked Heunis in Afrikaans, "Why are you going to KwaMashu? There's nothing happening there."

"Well, that's what we're going to show them," Heunis had replied.

SOUTH AFRICA

PAPER NOTES MILITANT HISTORY OF SAAWU

Johannesburg THE STAR in English 26 Jun 86 p 21

[Article by Mike Siluma]

[Text]

The struggle of the South African Allied Workers' Union (Saawu), whose leaders were this week acquitted of treason charges in Maritzburg, encapsulates the heavy odds faced by black unions in organising workers.

Charges against Saawu President Mr Thozamile Botha, secretary Mr Sisa Njikelana, treasurer Mr Isaac Ngcobo and Durban branch secretary Mr Sam Kikine were withdrawn by Mr Justice Milne after the State decided not to proceed with prosecution.

**CHARGED**

The four — with 12 United Democratic Front leaders — were initially variously charged with treason, terrorism and/or furthering the aims of the African National Congress. Proceedings against the other accused were dropped last December. All accused had been out on bail since May 1984.

The allegations against the four specifically referred to the period from 1981 — when Saawu was at its strongest — until 1985.

The union, formed in 1978, was one of the most militant to organise black workers in the post-Wiehahn era. The fastest growing union at the time, Saawu soon called a national boycott of Wilson Rowntree products after its members were fired at the company's plant in East London.

The boycott call was followed by the formation of community and student support committees — giving further impetus to moves in some union circles for closer co-operation between unions and community groups. Such moves were rejected by other unionists.

Saawu's approach was not to lead to a union as strong on the factory floor as its founders would have liked, but it

did play a part in the highly politicised Congress of SA Trade Unions-style unionism. Saawu also to become a founder member of Cosatu.

Later Saawu played a leading role in the protracted Mdantsane, East London, bus boycott in 1983.

And when the UDF was established, Saawu was one of the first member unions.

While at the pinnacle of its strength, Saawu might have been a source of worry to many employers, it was perhaps its bold involvement in political issues which placed it on a collision course with both the Government and the homeland authorities.

And while life was made uncomfortable for independent unions for their opposition to the apartheid and the homelands, Saawu was the first union to be banned in the homelands — first in Ciskei and then in Transkei.

/9317

CSO: 3400/160

SOUTH AFRICA

LAWYER SPELLS OUT REGULATIONS GOVERNING DETAINEES IN EMERGENCY

Cape Town CAPE TIMES in English 27 Jun 86 p 8

[Text]

THE position of detainees under the state of emergency is governed by regulations and rules issued in terms of the Public Safety Act of 1953.

The regulations have, however, recently attained the status of legislation by virtue of their incorporation in the Public Safety Amendment Act passed by Parliament last week.

In terms of the regulations a member of the Police force, Railways Police force and/or South African Defence Force may arrest any person, without a warrant of arrest, and detain such person in a prison or police cell.

Although it is difficult to know what events or actions could result in detention, a person may be arrested or detained if the person arresting him/her is of the opinion that such arrest and detention is necessary for:

- The maintenance of public order or the safety of the public;
- The safety of the detainee him/herself;
- The termination of the state of emergency.

At the time of arrest and/or detention, detainees or their families should try to establish the name, number, rank

and station of the arresting officer and the law/regulation/order in terms of which the arrest or detention is made.

When the person is to be detained, the regulations provide that the detention must be in terms of a written order. Detainees or their families should try to see the order and its terms.

The regulations state that no person shall be entitled to any official or other information relating to detainees. However, the deputy Minister of Information, Mr Louis Nel, recently told Parliament that the next of kin are always told when a person is detained. If however the next of kin are not so advised, it would appear that they are entitled to such information when making inquiries whether telephonic or otherwise.

In confirming detentions and ascertaining the whereabouts of detainees, the office of the Commissioner of Police in Pretoria has indicated that no telephonic or telegraphic inquiries (telexes) will be answered.

The office will only respond to letters if the following information regarding the detainee is supplied: Full name

and address; identity number and age; date and place of arrest; full name and address of person requesting information, eg next-of-kin.

If a legal representative is requesting the information, the name and address of the person who has instructed or authorized the lawyer to make such inquiries must be supplied.

Depending on the place of arrest, letters (preferably registered) should be addressed to: The Commanding Officer, Security Police, Private Bag X14, Vlaeberg 8018; or The Commanding Officer, Security Branch, South African Police, Division Boland, Paarl 7620 or Private Bag 3020, Paarl; or the Commissioner of South African Police, Private Bag X94, Pretoria 0001.

If you fail to elicit a response to written inquiries, follow up your letter with a telephone call to the relevant office and try to establish whether your letter has been received and whether your queries are being considered.

The regulations make provision for visits by next of kin to detainees. Family members wishing to visit detainees, must apply in writing to the commanding officer

of the security police for permission to do so.

Letters written requesting such visits should contain the full names, identity number, residential and work address and telephone numbers of the person requesting permission. Where permission is granted, the visit is limited to a single visit every 14 days and each additional visit will require a further application.

It may be advisable to telephone the police office after a few days in advance in order to ascertain the outcome of your application. If permission is granted to visit the detainee, approval must also be obtained from the commanding officer of the relevant prison who will determine the visiting hours (e.g. Tuesday 2pm to 3pm). Once the application has been approved, the relevant prison then regulates the actual visit e.g. date, time and duration of visit.

Legal representatives may only visit detainees once they have obtained permission by way of a written application from the Minister of Law and Order or the Commissioner of South African Police, Pretoria.

Certain officials may visit detainees in their official capacity (e.g. judges) and the detainee is entitled to discuss any complaints or problems or to make representations to such person regarding the conditions of detention etc.

Ministers of religion or religious workers appointed in terms of the Prisons Act are entitled to visit detainees. However detainees' personal ministers of religion may only visit them with the approval of the Commissioner of Police.

In terms of the regula-

tions, detainees must when admitted to prison be examined by the medical officer of the relevant prison who is required to visit detainees regularly during their detention.

Where detainees require specific medical or dental treatments, the detainee's personal doctor, dentist, gynaecologist, etc should bring this to the attention of the medical officer. The medical officer must also be made aware of any specific medical conditions pertaining to any particular detainee (e.g. hay fever, asthma, visual requirements — contact lenses, periodic headaches, gynaecological problems, etc).

Where the detainee has a particular psychological or psychiatric complaint or condition, his/her personal psychologist, psychiatrist or private doctor should advise the prison medical officer accordingly.

The rules provide that detainees shall receive exercise in the open air for at least one hour per day, weather permitting. However, no detainee shall be forced to undertake any such exercise.

Detainees are entitled to receive the following:

- A reasonable supply of clothing may be taken to the prison where the detainee is being held and the rules provide that such clothing shall be washed by the detainee him/herself. There does not appear to be any clear interpretation as to what in fact constitutes a reasonable supply of clothing. However, an unnecessary duplication of clothes will not be permitted and clothing such as tracksuits, jerseys, socks etc are advisable.

- Detainees are not permitted to receive any foodstuffs, cigarettes or bedding. However they are entitled to receive a reasonable amount of money (the amount at present is R20 per week

per detainee although this amount varies from prison to prison) in order to buy cigarettes, toiletries and certain foods such as fruit, processed cheese, biscuits etc. The amount of money is held on account for the detainee by the prison and family members or friends bringing such amount to the prison are advised to obtain a receipt therefor.

- Detainees may receive selected reading material which is limited to the Bible or any other holy book of religion and selected magazines which are supplied to him/her by the prison library. Detainees shall not be permitted to study unless they have been granted permission to do so by the commanding officer of the prison in question and the Commissioner of Police.

Likewise, detainees may not communicate in writing with any person outside the prison i.e. write letters except with the permission of the Commissioner of Police and the commanding officer of the particular prison.

The provisions set out above are taken directly from the regulations and rules issued in terms of the Public Safety Act and are based primarily on information supplied by the commanding officer of the security police in Cape Town.

These provisions are not uniform, nor do they necessarily have application to every prison or police station. They should be seen as guidelines and an illustration of the workings of the rules and regulations.

Family members, friends and legal representatives of detainees should confirm that they apply to their particular detainee.

SOUTH AFRICA

STATISTICS SHOW 'DRAMATIC DROP' IN VIOLENCE

Johannesburg THE CITIZEN in English 28 Jun 86 p 4

[Article by Keith Abendroth]

[Text]

TWO statistical specialists of the Bureau for Information said yesterday that comprehensive figures on the first two weeks of the state of emergency showed that it was "working".

Mr Dave Venter, deputy chief of the Bureau's communication research unit, told newsmen at the daily media briefing at the Union Buildings: "The state of emergency is also ensuring that people are being protected against violence and injury."

"Figures on incidents — which show dramatic decreases since June 12 — also show that the security forces are not the villains they are made out to be and that they are there to protect the people.

"There are strong indications that a degree of responsibility is returning to the townships," he said.

Mr Venter and the director of the research unit, Dr Kobus Neethling, split the state of emergency into two week-long periods—from June 12 to June 19, and June 19 to June 26.

Petrol-bombing incidents decreased from 23 percent of all incidents to 17,7 percent between the two periods, Mr Venter said. He did not mention what type of unrest incident showed a concomitant increase in incidence.

The number of people injured in unrest decreased from 173 to 33 persons between the two periods, Mr Venter said.

Injuries in Black on Black violence increased while injuries inflicted by the security forces decreased.

In the first week 47 people were killed in unrest while there was a drop of 72,5 percent to only 14 fatalities the second week.

Security forces caused 35 percent of deaths the first week and 21 percent the second, while Black on Black violence increased from 65 percent to 79 percent.

There was also a drop of 88,3 percent in the number of attacks on security forces.

Mr Venter listed the decline in unrest in a large number of different areas in percentages — among them the West Rand by 60 percent, East Rand by 70,5, Western Transvaal 55,6, Eastern Transvaal 86,6, Northern Cape 94,1, Eastern Cape 57,7, and South Western Districts 89,2.

Boland 76,9, Western Province 82,7, Free State by 100 percent and Northern Free State by 50 percent. An increase for the Witwatersrand of 81,8 percent and in the Far Northern Transvaal occurred because there had been no incidents the previous week.

Mr Venter said every incident of unrest was recorded — including the throwing of a single bottle, for instance — in the bid by the police and the authorities to keep an overall finger on the pulse of the situation.

Questioned on what level the unrest incidence would have to reach before consideration could be given to lifting the state of emergency, Mr Venter said that other factors, too, had to be considered. For instance, the overall climate was an important facet to be considered, in the overall move back towards peace and tranquility.

Unrest statistics had been kept by the authorities since September 1984, Mr Venter said.

Dr Neethling and Mr Venter are to give a statistical breakdown of the unrest situation every few weeks.

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CSO: 3400/160

SOUTH AFRICA

NP'S CONSIDERATION OF NONALIGNED, NEUTRAL RSA SEEN AS LUDICROUS

Durban THE DAILY NEWS in English 30 Jun 86 p 7

[Commentary by Hugh Robertson]

[Text]

FOR more than a decade the silly notion has been swilling around inside the National Party that South Africa under their aegis could cease to be a "Western" country and could adopt a neutral stance in its international relations.

Until recently the idea was dismissed as one of the less-credible brainstorms to have emanated from the NP's policy entrepreneurs.

But suddenly it seems to have been taken seriously.

President P.W. Botha personally told the nation on television last week that if his Government was "forced" to go it alone, "it must not be expected of us to be partisan".

At first glance his warning seemed to have been aimed at the party faithful who like to think that they have some unsullied virtue which the world is clamouring to possess.

But in the following days he and his Government began to turn rather fractious in their relations with the US and the rest of the Western world, suggesting that they might actually believe in the theory of "neutrality".

There was what American officials described as a "bug-off" response from Mr Botha to President Reagan's communication about the state of emergency, which was seen as an ungracious response to a long-suffering friend.

Then there was the public embarrassment of the US Ambassador, Mr Herman Nickel, by the NP's electronic mouthpiece, the SABC, which announced that the Ambassador had declined to be interviewed by the SABC on "discrimination" against blacks and indigenous Indians in the US, a peg on which was hung a retinue of gratuitous criticism and innuendo.

If the SABC were independent its "report" on Mr Nickel could have been seen merely as a clumsy misjudgment by a functionary. But we all know who pulls the strings at Auckland Park.

There is no way that the personal representative in South Africa of the President of the US could have been villified without the SABC's political bosses having given the nod, if not the order.

When the US Embassy suggested an alternative in Mr William Burroughs, its Consul-General in Cape Town, who has served in US Government anti-discrimination programmes, he was rejected by the SABC.

Why? I would guess because he is black (and also disarmingly frank) and would thus have made the SABC's questioning on "discrimination" look absurd.

Ambassador Nickel finally offered to be in-

interviewed once news restrictions had been lifted in South Africa -- a wise decision.

But why all the nastiness to people who have gone out of their way to be accommodating? Leaders, even those prone to bad-temper and impetuous judgments, do not embark upon this sort of course without expecting to derive some benefit.

What benefit could there be for the NP in lashing out at its few remaining friends in the world and by threatening to become "neutral"?

The conclusion that presents itself most readily is that they believe their go-it-alone bravado might somehow intimidate the West into taking a softer line on apart-

heid, a more cautious attitude to sanctions; that an intolerable irritant might finally be brushed off.

But for this to work, the threat to become "neutral" would have to be credible. It is not.

The prospect of the communist bloc or the Third World embracing an international pariah is, of course, ludicrous.

The only major market for South African exports is the West.

Indeed, South Africa's main mineral competitors are the very countries which would have to become "friends" if the country were to be "neutral".

Try naming the countries outside the West which, in the case of a go-it-alone South Africa, would not allow

ideological differences to influence economic relations. No combination of them amounts to a serious alternative to Western trading partners.

And what would become of the generations of Nationalists reared on a regimen of being a Western "bastion" in Africa? As we have seen in the case of other indoctrinated concepts, they are a stubborn species.

It is hard indeed to see how the advance of Soviet imperialism in Southern Africa could be in the NP's or the country's interests.

Perhaps President Botha should quietly invite Ambassador Nickel to dinner and smooth things over. We can only hope he does.

/13104

CSO: 3400/244

SOUTH AFRICA

NATAL PFP LEADER FEARS CONSEQUENCES OF NEW EXCO SYSTEM

Durban THE DAILY NEWS in English 30 Jun 86 p 7

[Article by Bruce Cameron]

[Text]

HOPES that Natal might be allowed to work out for itself a system of second-tier government may well have been given a coup de grace by the announcement of the nominated Exco.

This is the fear expressed by the Natal leader of the Progressive Federal Party, Mr Ray Swart, who sees the latest move as a climax to gradual truncation of provincial powers over the years.

Mr Swart made the points in a series of speeches to Parliament on the scrapping of the current elected system of provincial government.

He said the indaba was busy finding an alternative which would be acceptable to all.

What was being done was what the Minister of Constitutional Development, Mr Chris Heunis, should have done — sat round a table talking to the people directly involved.

Mr Swart reminded Parliament of the history of the provincial system and warned that provincial powers, sentiment and diversity could not be lightly ignored as the Government had done with the new nominated system.

These needs and differences were founded in history and were a reality.

"The great debate before the Union was whether the coming together of the four provinces had to be based on a strictly unitary constitution or a federal constitution.

"The Government should know that, particularly on the part of the two smaller provinces, there were great fears and strong feelings."

This was particularly the case in Natal and it was a critical issue at the National Convention. Natal favoured federalism.

"We know the majority at the National Convention felt other-

wise and opted for a constitution that was unitary in form but which, as a compromise, would include a component providing certain legislative powers to remain within the dominion of the provinces.

"When the Natal Legislative Assembly agreed to go into Union, it did so on the basis of that compromise."

He pointed out that the people of Natal were consulted by means of a referendum.

(He rejected Government claims that the 1983 referendum on the tricameral Parliament could be taken as agreement by the public for the new system and the scrapping of the old).

Natal had been particularly jealous since then of the degree of provincial autonomy which it had managed to wring out of the National Convention.

"While it is true that autonomy has been

Imperfect and inadequate as it was, the system had at least provided a sound and effective base on which to build better and far more effective second-tier government.

Mr Swart said Mr Heunis had admitted that he was not getting rid of the system because it had been a failure but because it "must meet the requirements of the general political goal of the Government".

The Government was attempting to mould every form of representation into a compartmentalised group based on race "to conform with the disastrous tricameral system".

He said Mr Heunis was "going to bend, twist and mould every other structure to fit into the tricameral system".

Mr Swart was particularly concerned about the political appointment of the new executives and the loss of "original legislative powers".

He agreed that Parliament always had residual legislative powers in provincial affairs, but the power of the provinces to leg-

islate was being removed.

If the removal of the power to legislate was final, it created a serious position.

The State President had said the legislation to establish the new system would not preempt decisions made at the indaba, and the Government's door remained open to representations made from the indaba.

And what was being discussed at the indaba was a single legislative authority for the combined area of Natal/KwaZulu.

He expressed concern that the removal of the legislative powers of the province truncated to a considerable extent over the years, it is equally true that each time provincial rights have been threatened (this) has been vigorously resisted by the Natal electorate."

Mr Swart believed that Natal was now being confronted with the coup de grace and the Government had decided that the provincial system must be swept aside.

"I believe it is a sad and tragic day for us all."

in effect meant the door was being closed on the indaba.

Mr Swart said the legislation establishing the Joint Executive Authority for KwaZulu and Natal was not the same thing as the target of the indaba.

The JEA was a useful exercise and would help rationalise the administrative functions of the two regions.

But it was a prelude to something far more meaningful for the region.

The people of Natal wanted more than a mere administrative accord.

The indaba was working hard to present the Government with a package which could provide a legislative assembly with original powers.

Summing up the new system, Mr Swart said: "We believe it is a piece of legislation which breaks faith with the past and which extends the racially-based tricameral system, undermines the principle of elected representation, and ignores the rights of blacks at provincial government level."

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CSO: 3400/244

SOUTH AFRICA

ARTICLE SEES MINING UNREST TO CONTINUE

Johannesburg THE NEW NATION in English 19 Jun-2 Jul 86 p 15

[Text]

MINING industrial relations have been rocked by at least three separate stoppages in the last week marking a militant beginning to the crucial 1986 wage negotiations.

With mine strikes accounting for most of the hundreds of thousands of working hours lost so far this year, the next few months look set to be dominated by mineworker disputes.

The mass dismissals, evictions and violence which has left more than 15 miners dead, are likely to continue as worker frustration flowing from hardline managements increases.

Union officials have warned that the growing unrest on mines was symptomatic of the low wages and some of the most hostile working conditions.

Grievances range from low wages, attacks on union members and restrictions on union organisers. Despite

deteriorating circumstances, managements appear to be adopting a tougher stance -- particularly in the case of the National Union of Mineworkers (NUM).

If claims that anti-NUM forces were responsible for the bloody attack on NUM members at the Hlobane colliery are to be believed, then the union-bashing option seems set to prevail.

According to workers, bosses barred a NUM organiser from entering Hlobane.

And the union adds that the reported bussing-in of anti-NUM forces was a deliberate attempt to spark off confrontation with the intention of removing NUM members and replacing them with workers loyal to management principles.

An estimated 500 miners have been bussed out of the mine since the clash. But Simon Conco, General

Secretary of the Inkatha union, the United Workers Union of SA (Uwusa), denied that the attack was launched by Uwusa members. He says, however, that the claims needed investigation.

According to NUM, two busloads of armed 'impis' from Mahlabathini near Ulundi arrived at the mine and attacked workers.

"Num members fled into the countryside around the mine chased by 'impis' chanting 'Usuthu' -- a Zulu war cry. People were stabbed and beaten with sticks. Some had their eyes stabbed out with roofing bolts," said one Hlobane worker.

Owners of the Greenside colliery, Rand Mines seem to have adopted the bashing approach as well. It dismissed 500 NUM members said to be on an illegal strike. The Supreme Court upheld the evictions declaring the dismissals lawful.

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CSO: 3400/245

SOUTH AFRICA

TRANSPORT WORKERS UNION BREAKAWAY FROM CUSA

Johannesburg THE NEW NATION in English 19 Jun-2 Jul 86 p 15

[Text] More than 3 000 transport workers, mostly Putco drivers have broken away from Council of Unions of SA's (CUSA) Transport and Allied Workers Union (Tawu).

The breakaway comes more than year after tensions within the union threatened to split the workers.

Although no clear decision has been made about the breakaway union's affiliation there is speculation that it will affiliate to the Congress of SA Trade Unions (Cosatu).

According to the steering committee representing the 'breakaway union' -- Zakhoni Transport and Allied Workers Union (Ztawu) -- the question of affiliation still has to be addressed by the general membership.

"We have, however, committed ourselves to affiliate to a federation."

Affiliation to Cusa is ruled out because the federation does not allow membership to breakaway groupings. And with the merger of Cusa and the Azanian Council of Trade

Unions (Azactu) on the cards affiliation to Azactu is also not likely either. With the field narrowed down to Cosatu, it is not difficult to speculate on the Ztawu's ideological home.

It has already decided to follow a non-racial approach to organisation. Cusa is committed to limiting membership to black workers.

While careful not to commit himself, the breakaway union's spokesperson says: "We will adhere to the principle of one-industry one-union when we decide on affiliation".

With recent mergers of transport unions into Transport and General Workers Union, Ztawu's

affiliation to Cosatu could mean a boost for the new T&GWU.

Ztawu's membership, estimated at more than 3 000 is made up mainly of entire Tawu branches at Putco plants on the Rand. According to the Ztawu spokesperson, more Tawu branches have indicated their intention to breakaway from the Cusa union.

This is the second breakaway from Cusa in recent months. The first was from the federation's Food and Beverage Workers Union when workers from some Coke plants in the Transvaal decided to join the Sweet Food and Allied Workers Union before its merger with the Food and Canning Workers Union.

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between the preference given to the Galatasaray Club and Lycee and the fact that Ozal's brother-in-law Tanriyar is the President of the Galatasaray Club? How fair is it to spend fund revenues on the basis of personal influence and special favors?

4) It also appears that fund personnel are paid fairly high salaries. This situation has led to a certain amount of favoritism over other public employees in terms of salaries, lodging and the use of public vehicles.

#### Funds and Waste

Waste and propaganda-related expenditures from funds is also notable. I would like to underscore these with a few examples:

1) The administrations of the Public Housing and Public Partnership funds leased a 15-story building in Cankaya for 189 million Turkish liras for 3 years. An additional 35 million Turkish liras was spent on luxury furniture. During the same period, buildings in the same area sold for 200 million Turkish liras.

2) In 1985, the Development and Support Fund allocated 3.5 billion Turkish liras as assistance for the distribution of powdered milk and nuts to elementary schools students. The milk purchased was found to be spoiled and the practice was ended. Does this not amount to an indirect subsidy for the milk industry and the Association of Hazelnut Sales Cooperatives? In other words, is this not a covert operation to protect and to rescue certain State Economic Enterprises? Apart from that, can the nutrition problems of schoolchildren be solved by distributing powdered milk or nuts for just one week in a year? One wonders if the 3.5 billion Turkish liras were spent appropriately. How was the spending controlled? Resources are being wasted rather than helping families to raise their living standards and creating new job opportunities. As the Chinese poem says: If you give a fish to someone, it will feed him once; if you teach him how to fish he will be fed for a lifetime.

3) Meanwhile, municipalities and special provincial administrations are wasting funds obtained from various sources for propaganda purposes. Books using expensive paper have been printed to disseminate propaganda about certain municipalities. In Ankara, the Municipality of Kecioren is spending 1 billion Turkish liras on a park. Meanwhile, in the cities public transportation remains inadequate, and the buses are not maintained. The citizens commute to work in great discomfort. None of us are opposed to parks, but could they not build a more modest and less expensive park which would serve the citizens rather than waste money on propaganda?

#### Funds and Arbitrary Practices

The bidding system for allocation from the funds is open to arbitrary practices and favoritism. The practices outlined below exemplify this problem:

a) Sealed bids: Bids which do not meet any one condition or which contain any deletions or corrections are immediately rejected and considered not to have been submitted.

b) Sealed proposals: In the event the amount proposed is found to be unsuitable, new proposals are requested or the matter is settled through bargaining if any benefit is seen for the organization.

c) Price and proposal requests: Proposals are requested through public notices or written invitations to at least three firms known to be technically competent and financially strong.

d) Bargaining method: A commission collects written or verbal proposals from one or more applicants, depending on the requirements of the work, and an agreement is reached.

As is seen, the selection process is largely open to personal preferences. This is virtually a prearranged national lottery. A legal basis is in place but it has many shortcomings. There are widespread complaints that individuals with certain views are given preference, that favoritism is involved and that who will be awarded contracts is determined before the bids are submitted.

This is another reason why the funds must be approved and controlled by the TGNA.

It is also observed that the extra-budgetary funds, particularly the large ones, are controlled by a group of three to five persons.

1) The assessments collected on imports and exports constitute in effect a hidden tax. The assessments collected on imports are completely controlled by Professor Ekrem Pakdemirli, Undersecretary of the Treasury and Foreign Trade. The premiums paid on exports are determined by the Money Credit Council, but the Undersecretary of the Treasury and Foreign Trade acts as a special advisor to this council. He can influence the council in any way he likes. Meanwhile, export incentives are controlled by Ozal's brother, Yusuf Bozkurt Ozal. A "Bermuda triangle" linkage is in effect among incentives, import assessments and export premiums.

2) Article 3 of Law No. 2976 on Foreign Trade Regulations states: "Additional Financial Liabilities: The Council of Ministers shall determine the principles regulating the type, quantity, collection, processing, return, inclusion as revenue in a fund, the collection in a fund and the use of the fund of the additional financial liabilities assessed on import, export and foreign trade procedures."

The assessments made on imports and exports are additional financial liabilities. These are determined by the Undersecretariat of the Treasury and Foreign Trade. The Undersecretariat has continued these practices through 1984 and 1985. However, the Council of Ministers felt the need to correct this situation and issued its Import Regime Directive on 18 May 1985 giving the Undersecretariat the authority to adjust the amount of the assessments collected on imports and exports within certain limits.

In my opinion, this action violates both the law and the Constitution. Because, according to Law No. 2976, the TGNA has given this authority to the Council of Ministers. The Council of Ministers is not empowered to transfer this authority to the Undersecretariat of the Treasury and Foreign Trade. In addition, Article 167 of the Constitution explicitly states that this authority can only be given to the Council of Ministers.

3) Meanwhile, the Budget Law empowers the minister with which the Undersecretariat of the Treasury and Foreign Trade is affiliated, to transfer resources among all existing funds. The 1986 Budget Law was passed with MP votes. Thus, the Undersecretary of the Treasury and Foreign Trade can do anything he likes with the funds through the proposals he can take to the ministry his office is affiliated with.

4) Prime Minister Ozal has full control over the Promotion Fund. In this situation, the control of three to five people has increased over extra-budgetary funds not controlled by the TGNA. In my opinion, this situation is questionable in every respect in view of its implications with regard to the principles of national will, sovereignty and democracy.

[17 May 86 p 4]

#### [Text] Auditing of Funds

The auditing of the funds is also in a state of confusion:

1) A statement issued by Office of the Prime Minister says that all of the funds established under the current government have agencies and organs controlling them and that the funds are controlled by the agencies which instruct them on the utilization of their resources or the public organizations which pay for their budgets. Firstly, the Prime Ministry is wrong with respect to the nature of the funds just as it was in error with respect to their number. The Council of Ministers decrees establishing the Development and Support Fund, the Foreign Credit Currency Exchange Differential Fund and the Resource Utilization Support Fund—all of which were established by the Ozal government—do not contain any references to the auditing of these funds.

Besides, the independence of the "user" from the "controller" is a well-established principle in the area of auditing. As Table 6 shows, there are 21 separate auditing systems related to the funds. A unified auditing system does not exist even for funds that are affiliated with the same ministry.

Table 6. Methods used in auditing of funds

1. Exchequer and Audit Department + TGNA;
2. Exchequer and Audit Department + Ministry of Finance and Customs (is given information);
3. Exchequer and Audit Department (is given information);
4. Supreme Auditing Council;
5. Office of the Prime Minister + a committee composed of one member selected by the Ministry of Finance and Customs and one member selected by the Exchequer and Audit Department;
6. Office of the Prime Minister + a committee composed of one member selected by the Ministry of Finance and Customs and one member selected by the Ministry of National Defense;
7. Ministry fund administration office and relevant bank;
8. Ministry of Finance and Customs;
9. The ministers;
10. Directorates general affiliated with ministries;
11. Central and field organizations affiliated with ministries;
12. Auditors or officials assigned by ministries;
13. Undersecretariat of the Treasury and Foreign Trade;
14. State Planning Organization;
15. Property auditors;
16. Central Bank Auditing Council;
17. Central Bank reports to the Incentive Implementation Department;
18. Branches of the Agricultural Bank;
19. Governors, district offices, special provincial administrations;
20. Mayors;
21. Municipalities Technical Research Implementation Directorate General;

Inconsistencies and confusion are observed in the accounts of 25 funds. For example:

a) Figures given in the responses given to my and Cahit Tutum's questions with regard to the Financing Fund are inconsistent. As shown in the copies of the responses given below, the response given to Cahit Tutum states that there was 20 billion Turkish liras in the fund as of 31 October 1985 while the response given to me states that there was 16 billion Turkish liras in the fund as of 31 December 1985. There is a difference of 4 billion Turkish liras which cannot be ignored.

Copy of Response Given to Cahit Tutum (31 October 1985)

Name of fund: Financing Fund

Breakdown of fund revenues and expenditures over the years (Turkish liras):

<u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance</u>
1981	16,000,699.92	16,000,000.00	669.92
1982	8,630,243,003.05	8,630,242,130.33	872.72
1983	7,672,784,090.46	7,672,784,030.96	59.50
1984	14,407,205,835.90	14,407,205,463.00	372.90
1985			
(as of			
10/31)	20,166,231,044.00	20,166,231,022.00	22.00

**Copy of Response Given to Turkan Arikan (31 December 1985)**

**Financing Fund**

**Money deposited in the Financing Fund in 1985 (Turkish liras):**

a) Carried over from 1984.....	8,233,185,649.00
b) Deposited by capital corporations.....	8,204,781,699.64
c) Deposited by cooperative corporations.....	0.00
d) Other income.....	0.00
e) Transfers from other funds.....	0.00

**Total.....16,437,967,348.64**

b) The reply I received in response to my written question regarding the Fuel Price Stability Fund reported total 1985 revenues of 251 billion Turkish liras and expenditures of 297 billion Turkish liras. The two figures differ by the "small" amount of 48 billion Turkish liras.

How could such expenditures be made without any revenues? Why are the two figures so far apart? Is there no accurate bookkeeping? What kind of government accounting is that? Is there not an accounting system for the funds? It is truly impossible to understand and to follow them.

c) The ministries have avoided answering the critical parts of our questions. For example, a reply letter dated 21 January 1985 and signed by Sefa Giray said:

"No legal obligation has been found to collect the requested information on the fund, which was established by Law No. 2981 and which was put under the jurisdiction of the governors. Our ministry has not collected this information in order to save the necessary expense and manpower, particularly since it is not needed."

Another one of my questions was answered by a letter dated 2 October 1985 and signed by Kazim Oksay:

"Since the collection of information on the expenditures made from the Resource Utilization Support Fund with respect to all the banks and firms involved would necessitate a major amount of time and manpower, such work has not been undertaken at this time. However, if it is wished to examine certain procedures, the requested information may be provided if they are requested from me."

Now I ask: If the governors do not use the funds in accordance with their stated purpose (other than controlling them administratively), how will the opposition keep a rein on the government? How will politically-oriented propaganda implementations and preferential treatment practices for certain individuals be exposed? How can a government, which requires companies to keep detailed accounts of their costs, be so helpless in keeping its own accounts?

What are the names of the firms which were paid 59 to 60 billion Turkish liras in 9 months in export premiums and tax rebates from the Resource Utilization Support Fund? Was the appropriate work done for those incentives? If information is being collected but not disclosed, why is the citizen kept uninformed about the use of the money collected from him directly or indirectly? Is the collection of money from citizens considered acceptable, but accounting for it unacceptable?

In view of these questions, we proposed that an Assembly investigation be launched. Such an investigation could produce the following benefits:

--Proposals could be put forward to ease the utilization of the funds while bringing them under a well-defined administration and control system.

--The effects of the funds on inflation could be examined and proposals could be put forward to reduce the inflation rate and to give breathing room to the citizens.

--Proposals could be put forward to prevent waste in the funds and to set priorities.

--It could be determined which firms perform the work to utilize the benefits of the funds and which firms use the funds for illegitimate gain. This would prevent unfair competition.

--A situation for which a future government cannot account could be prevented.

However, as always our proposal for an Assembly investigation was rejected by MP votes.

The fundamental ideas of our proposal were:

--Yes to easement of procedures in the utilization of funds, but no to chaos, disorganization and lack of oversight.

--Yes to the use of funds to provide service to the citizens, but no to the exclusion of the TGNA and the evasion of TGNA oversight.

--Yes to the use of funds to provide service to the citizens, but no to waste and putting on appearances.

--Yes to the use of the funds to provide service to the citizens, but no to second and third-rate services aimed at propaganda.

--Yes to expenditures from the funds for infrastructure services, public housing and dormitory construction, but no to favoritism toward individuals and firms.

--Yes to the use of funds in the encouragement of exports and investments, but no to unfair gains, special favors for certain firms and personal preferences.

It is with these thoughts that we submitted the draft bill presented below to the TGNA. In drafting this bill, our main goal was to make the funds, whose magnitude exceeds 3,500 billion Turkish liras, subject to TGNA approval and oversight without slowing down any procedures. The bill also provided for the auditing of the funds by auditors from the Ministry of Finance and Customs in 6-month intervals in addition to the funds' internal auditing processes.

"Draft Bill on the Approval and Audit of All Budget and Non-budget Funds" submitted to the TGNA by deputies Vural Arıkan, Turkan Arıkan and Cafer Tayyar Sadıklar:

#### Goals and Scope

Article 1: This law covers and coordinates auditing principles for all existing and future intra-budgetary or extra-budgetary funds through provisions which will subject them to the approval and oversight of the TGNA, in addition to the auditing provisions contained in the laws, decrees with the force of law, Council of Ministers decisions and relevant regulations pertaining to funds.

Allocations made from the general budget tax revenues to local governments and other similar authorizations are also included in the scope of funds.

Secrecy requirements for national defense services will be adhered to in the implementation of this law.

#### Fund Budgets

Article 2: The Council of Ministers shall submit to the TGNA "draft fund budgets" and "reports showing fund budget estimates" for all intra-budgetary and extra-budgetary funds together with the general and consolidated draft budget.

Draft fund budgets shall be reviewed and approved in the TGNA together with the general and consolidated draft budgets, with the same rules that apply to the general budget.

#### Final Fund Accounts

Article 3: The Council of Ministers shall submit to the TGNA the finalized fund account draft bills, together with the finalized account draft bills for that year's budget.

The finalized fund account draft bills shall be reviewed and approved in the TGNA together with the finalized account draft bills for the general budget using the same procedures as those used for the general budget.

#### Additional Oversight of Funds

Article 4: The funds shall be subject to the oversight provisions of this law in addition to the oversight provisions of the laws, decrees with the forces of law, Council of Ministers decisions and relevant regulations pertaining to funds.

Auditors from the Ministry of Finance and Customs shall audit the funds' revenues and expenditures in 6-month intervals. Each audit shall be completed and audit reports shall be prepared within 2 months.

Copies of the audit reports shall be sent to the relevant ministry, the Ministry of Finance and Customs and the Exchequer and Audit Department.

Within 3 months after the end of the fiscal year, certified copies of the records of revenues and expenditures, copies of the revenue and expenditure documents, balance sheets, credit statements and the cash-flow schedules for each fund shall be sent to the Exchequer and Audit Department.

Certified copies of the revenue and expenditure records, balance sheets, credit statements and cash-flow schedules for each fund shall also be sent to the Ministry of Finance and Customs during the same period.

#### Effectiveness

Article 5: This law shall go into effect on the date it is published.

#### Execution

Article 6: The Council of Ministers shall execute the provisions of this law.

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MILITARY

FRANCE

#### FRENCH TECHNOLOGY FOCUSED ON LECLERC TANK

Paris L'USINE NOUVELLE in French 15 May 86 pp 62-69

[Article by Jean-Pierre Casamayou: "Leclerc Tank is 35-Billion Franc Deal for Industry"]

[Text] With the loss of export markets to cutthroat international competition, and with the collapse of the joint French-German [main battle tank-development] program, the influence of French land (army-type) weapons was beginning to wane. This hard fact demanded a quick, dramatic and powerful response. That response has now been given with the decision to build the future Leclerc tank. This program, mobilizing the entire French arms industry, is designed to equip the French Army with 1,400 tanks--valued at 35 billion francs--and recapture foreign markets.

France has not had such a large-scale mobilization of its armament manufacturers for a very long time. Admittedly the sheer dimension of the program for the future tank, now designated the Leclerc, is such as to attract a host of manufacturers. Its 35-billion franc budget provides for the delivery of 1,400 tanks to the French Army. In the planning stage since 1978, the program's general outline is now known and its industrial work-sharing arrangements are practically finalized. The military authorities have made their decision. It is now up to the manufacturers to carry the ball.

Implementation of this large-scale program is keenly awaited by all government arsenals and private manufacturers. In fact, their current situation is not bright. Army-type weaponry was no longer a Defense Ministry priority. Consequently, that sector of our defense industry had begun to wane, with such negative results as a technological lag, below-capacity workloads for our arsenals and their subcontractors, and, above all, the loss of export markets to the competition.

Long gone are the successes of the 1950's when the AMX-13 swept all markets, with 20 countries buying that tank. Its successor, the AMX-30, had more difficulty selling itself to 10 countries. The latest French tanks, the AMX-32 and AMX-40, are encountering even greater difficulties. Still in the prototype stage, these two tanks have found no takers. On the other hand, the competition has revived. Not only our traditional English and German competitors, but also such newcomers as the Italians and Brazilians.

Our readers will also recall how the joint French-German [main battle tank development] project collapsed because of Germany's presumed supremacy in all technological fields. Admittedly the Leopard 2, considered the best of all present-day tanks, is in service within several NATO countries and continues to attract many potential buyers. Especially Spain--already equipped with AMX-30's--where German manufacturers are trying to supplant France in reequipping the armored forces.

French authorities had to respond dramatically and powerfully. Consequently, the Land (Army-Type) Armament Directorate (DAT) of the General Delegation for Armament (DGA) had the AMX-APX facility in Satory design a super tank. That facility's designers and engineers have incorporated such a number of new technologies in its design that this new tank is the first of a new generation. These innovations place the Leclerc tank head and shoulders above its competitors. Most of all, they will enable France to recapture its lost export markets.

#### Application of New 'Vetronics' Concept

According to Georges Dubot, the DTA's Leclerc program manager, "two innovations incorporated in this tank can truly be called revolutionary. I refer to the major advance made in armor protection and in the vehicle's organization around electronic systems". This latter innovative concept is called "vetronics" [vehicular electronics].

The tank's unparalleled protection is provided by a combination of new spaced multi-layer armor and a high degree of compactness. The tank's active ("caisson") armor can evolve during the tank's lifetime and is easily repairable when hit. Georges Dubot revealed that "this active multi-layer armor plate provides protection against all conventional projectiles and first-generation fin-stabilized rounds up to a caliber of 120-millimeters".

Compactness is the other important element of protection. By reducing the tank's silhouette, the risk of being hit is likewise reduced. The turret's compactness is obtained by use of an automatic ammunition loader, thereby also permitting a one-man reduction in the crew. The Unidiesel hyperbar engine contributes to the compactness of the hull. In addition to reducing the tank's overall length by 1 meter, this engine gives the Leclerc a degree of mobility unequalled anywhere else in the world, a mobility indicated by the Leclerc's power-to-weight ratio of 30 horsepower/ton. An original feature of this engine is its independently-operating turbocharger.

The Leclerc tank's second plus is its application of the new vetronics concept. The entire tank is built around two computers that provide, via aircraft-type multiplex digital links, real-time management of engine operation, navigation and weapon systems. The main armament is a 120-millimeter smooth-bore gun which is in itself a first, in that firing-on-the-move is its normal mode of fire. This capability is obtained by slaving the gyro-stabilized sight to the electric-motor driven turret. The tank's electronics also include a new radio with a digital data transmission capability. This radio operates in the Rita network, Thomson-CSF's well-known integrated tactical communications system.

But these technologies are beyond the traditional tank production capacities of our government arsenals. Hence new manufacturing capacities are necessary. As George Dubot has pointed out: "This tank marks a very sharp break with previous tanks. Inasmuch as GIAT [Industrial Group for Land (Army-Type) Armament] is unable to handle all production tasks, we have obtained assistance from the most competent manufacturers in their respective fields. We have assigned to them the task of producing the major sub-assemblies." These participating companies were obviously selected with meticulous care.

#### Gyrostabilized Sight for Firing-on-the-Move

The tank's weight and dimension specifications are such that aircraft-manufacturing techniques have to be employed. Each kilogram of weight saved on any component is used to enhance protection. It is quite normal, therefore, to find that program participants include some of the biggest names in France's aerospace industry. In fact, Turbomeca, Air Equipment, SEP [European Propulsion Company] and ESD [Serge Dassault Electronics] are names better known aboard aircraft than aboard tanks. On the other hand, some of the other participating aerospace firms have previously produced tank components. Such is the case with SAGEM [Company for General Applications of Electricity and Mechanics] and SFIM [Measuring Instruments Manufacturing Company], the prime contractors for the Leclerc's two sights. Their participation confirms their diversification into the field of army-type weaponry.

SAGEM is producing the gunner's sight, the heart of the fire control system. This is a gyrostabilized sight that permits accurate firing-on-the-move. It includes various integrated electro-optical sensors. This sight's noteworthy and original feature is that its stabilized core furnishes necessary reference data for firing-on-the-move. It senses all tank motions and feeds the data required to stabilize the turret. It also serves as a navigation aid. Michel Deudon, head of SAGEM's land transport and armament department, described it as "the world's most advanced sight. Even the Americans have not attained this level."

The other key component developed by SAGEM is the "arcuremetre" [muzzle reference system]. It measures the bend of the gun, thus permitting precise determination of the gun's direction. Marcel Deudon added, with obvious pride: "In all these devices there is a wealth of discoveries protected by patents." In addition to these electro-optical marvels, SAGEM hopes to produce the engine electronic monitoring unit whose manufacturer has not yet been designated. To obtain this particular contract, SAGEM is counting on its experience in engine diagnostics, a field in which it has been most successful. More than 1,200 garages are equipped with SAGEM engine diagnostic units. Another point in the company's favor is that it has already been chosen to supply the electronic unit for the Unidiesel V12 engine powering the AMX-40 tank. These are two weighty arguments bolstering SAGEM's effort to win this contract over its competitor, SIMSA of the Thomson group.

"For SAGEM, the Leclerc tank is a major program," explained Michel Duedon. "It will ensure continued work for our Montlucon plant." Indeed, the latter's 2,100 employees are the first to be vitally interested in these new products. Particularly those employees assigned to Monthucon's new production facility devoted exclusively to electro-optics.

SFIM officials are equally pleased with their firm's selection as manufacturer of the tank commander's sight. This selection is confirmation of the success of the diversification policy adopted some 10 years ago by Jacques Larpent, SAGEM's president and chief executive officer. Some half-dozen types of tanks are currently equipped with SFIM sights. They account for 30 percent of the firm's business.

Another step forward has been taken with the Leclerc tank, namely that of digitizing. "We are most definitely in advance of all current sights," acknowledged Dominique de Ponteves, head of SFIM's orientation and sight division. We have moved ahead of Zeiss, our German competitor." And Dominique de Ponteves is an expert in such matters, inasmuch as he is also president of Reosc, a leader in the precision optics field. Although this new generation of sighting devices may ultimately constitute one-third of his division's activity, Dominique de Ponteves will continue to ask for more!

He certainly is not lacking in ideas on how to improve his system. These ideas include plans for an automatic target tracking device and a stabilized panoramic thermal-imaging sight. In the more immediate future, he hopes that a SFIM system of sensors to detect heat and light from a fire will be accepted for the Leclerc tank.

To maintain communication links between these different sights and sensors, a multiplex digital bus-type solution has been adopted. Its main advantages include less wiring, secure transmission of information and ease of modification and improvement.

#### Use of Experience Gained With Mirage 2000

Serge Dassault Electronics (ESD) is a pioneer in this field. It was logical, therefore, that it should participate in the Leclerc program. In association with Thomson-CSF, ESD is also responsible for development of the two programmable computers that manage operation of the entire tank. In this development task, ESD is using all of the experience it acquired with the Mirage 2000 aircraft. But although ESD was chosen for the development phase, the same does not hold for the regular production phase, because CSEE [Electrical Signals and Contracting Company] intends to compete against ESD for that contract.

Moreover CSEE, a company with 3,000 employees, is firmly determined to participate in this program. Its current defense-related activities constitute 30 percent of its total volume of business. Already chosen to build the turret's electric motor, the company is also fighting to produce the fire control computer and the servo-system computer. "Up to now, our military contracts have centered on armament for the navy, such as turrets, fire control systems, and decoy launchers," explained Guy Joie, assistant manager of CSEE's defense materiel department. "But with the drop in the number of warships, we have decided to direct our activity toward army-type ground weapons." To establish his company in this particular defense market, Guy Joie is relying greatly on this new-generation turret motor designed to replace the traditional electrohydraulic motor. In the meantime, all orders for

Leclerc tank components will be most welcome in the company's Riom plant. By 1989, they should help restore its currently dwindling workforce to its former high level. CSEE also expects to sell this electric motor to customers desiring to modernize older tanks. This is a sizable market.

CSEE is also determined to establish itself in the computer market. In association with TRT [Telecommunications, Radio, and Telephone Company], it is participating in the French Military Processor (PMF) program. This is the military computer CSEE hopes to have installed in the Leclerc tank in place of the fire control computer and even in place of the servo-system computer developed by CGA-HBS, a subsidiary of the CGE [General Electric Company] group.

In fact, CGA-HBS has been awarded a contract to study the tank turret's servo-system electronics. A specialist in high-speed servo systems--it has even sold a license to Rockwell International in the United States--CGA-HBS has built a digital computer incorporating an ESD processing unit derived from the computer on the Mirage 2000.

Other aircraft equipment manufacturers have likewise joined the Leclerc program. They have been prompted by a twofold desire to diversify and add this technological must to their credentials. This is true of Francois Hamey who, as president of both Auxilec and Bronzavia-Air Equipment, has several irons in the fire. The first has to do with the electric power generation system which represents 3 percent of the tank's total value. The system consists of a 9-kilowatt starter generator and a 20-kilowatt conventional generator. For this equipment contract, Auxilec is competing with Labinal, the other major electric generator specialist. It is also competing with Brault for the samarium-cobalt motor that drives the turret.

As for Bronzavia-Air Equipment, it too would certainly like to participate in supplying the turret motor and servo systems. And also, why not, in supplying rotary shock absorbers if the torsion bar suspension option is chosen. Francois Hamy predicted: "If my two companies participate in the Leclerc tank program, this could mean 1 million francs of business per tank for us."

In contrast, Crouzet officials are somewhat disappointed. Unable to supply the tank's land-navigation systems, Crouzet's remaining hopes now rest on voice-activated controls. As the European leader in this new technology, this Valence company has developed a highly-efficient voice-activated or speech recognition control system capable of operating even in a noisy environment. Crouzet expects it to be installed in the Leclerc tank.

Another well-known aircraft equipment manufacturer, Turbomeca, is also making its first appearance on tanks. It is developing the Unidiesel engine's turbocharger by incorporating technologies used in helicopter engines. This tank-related activity is a logical continuation of the company's diversification policy initiated with production of the Loredon auxiliary power units mounted on the Thomson-CSF Shahine [self-propelled surface-to-air missile] system. With an estimated production run of some 2,000 TM-307 turbochargers, this contract is already a good deal for Turbomeca, even though

the cost of each turbocharger is but one-sixth the cost of each aircraft turbine.

It is quite clear that the Leclerc tank program will give the entire aircraft equipment manufacturing industry an excellent opportunity to diversify. Yet we must not overlook the fact that this program is a vital one for GIAT's arsenals. For the latter, it represents an opportunity to begin to regain their mastery of that advanced technology they had let private industry monopolize. Faced with a meager workload for the next 4 years, these arsenals are all impatiently awaiting the Leclerc tank's production phase which is scheduled to start in 1990. Their cooperating firms and regular subcontractors are no less impatient.

With its 17,000 employees and 10 plants, GIAT is the Leclerc program's largest manufacturer. Its AMX-APX facility in Satory began preparing itself for this program 8 years ago. It is not only the prime contractor for Leclerc development but is also responsible for building the six prototypes. The bulk of the regular production is to be handled by the Tarbes and Roanne arsenals. The Tarbes plant (3,000 employees) is responsible for construction and final assembly of the turret, while the Roanne plant (3,200 employees) is charged with construction of the chassis and final assembly of the complete tank.

As for fabrication of the tank's armor, the arsenals are continuing the evolutionary trend introduced with the AMX-10 when they abandoned the use of cast sections--as on the AMX-30 turret and apron, for example--in favor of all-machine welded construction. The new types of armor protection, based on multi-layer, active, composite, or spaced armor, require use of this welding process which is also more economical.

In addition to performing the heavy metal work, GIAT plants will also manufacture a large part of the tank's ancillary equipment. The Saint-Etienne Weapons Manufacturing Plant (MAS)--3,000 employees--will produce the panoramic telescopes and NBC [nuclear, biological and chemical] protective equipment, the latter in cooperation with SOFILTRA, the French specialist in such equipment. The 120-millimeter gun will be made at the Bourges arsenal (2,500 employees), while the Roanne facility will build the tracks, road wheels, and transmission components.

The program's other valuable boost to these arsenals will be the use and mastery of digital electronics. According to Pierre Cation, the Tarbes plant manager, "the Leclerc tank program will develop our skills in digital and servo-system electronics. This know-how will complement the expertise we have already acquired in hydraulics and optics with, for example, the TS-90 turret which we developed ourselves with the help of our plant's design office."

#### Transformation of Products, Their Manufacturers

Of all the GIAT plants, the one in Toulouse will undergo the greatest change. It will manufacture a large part of the future tank's electronic components. This will require a major modernization of this facility heretofore devoted exclusively to the manufacture of ammunition.

Generally speaking, the incorporation of digital technology into the Leclerc tank will transform not only the products but also the manufacturers who make them. Connected to a digital bus equipped with an integrated automatic test unit, each subassembly has its own microprocessors and, of course, its own software. Each industrial firm in the program must, therefore, adopt itself to this evolution. This includes even such traditional manufacturers and suppliers as Valeo SESM or Creusot-Loire Industrie. Incidentally, the latter firm is the one in which the use of chips (microcircuits) is most surprising.

With its 3,300 employees, Creusot-Loire Industrie, a USINOR subsidiary, specializes in making specialty steels and heavy machinery. Its products include armor plate (world's second largest producer after Thyssen) and steel hulls for the Renault VAB [Forward-Area Armored Vehicle] and Panhard VBL [Light Armored Vehicle]. Creusot-Loire will supply the pre-cut specialty-steel plates for the Leclerc tank. This contract will represent 15 to 20 percent of the company's steel plate production activity.

The aforementioned chips will, of course, not be inserted into the steel plates! But we must not overlook the fact that Creusot-Loire Industrie also specializes in the manufacture of automatic loaders, equipment that is synonymous with precision engineering, servo systems, and programmable automatic devices. Indeed it was the company's mastery of these techniques that was responsible for the success of its turret for a naval 100-millimeter gun with a rate-of-fire of 90 rounds per minute. And Creusot-Loire Industrie has used this experience to the fullest in offering a unique type of automatic loader for the Leclerc tank.

#### World's Best Power-to-Weight Ratio

This is the first time that a device permits automatic loading of a complete (1-meter long) round into a tank gun. In other loaders, the round is in two parts, the propelling charge and the projectile or shell. Because of weight and volume constraints, Creusot-Loire Industrie had to resort to aeronautical technology, namely use of die fabricated and stamped parts, composite materials, and Aviac samarium-cobalt motors with a few microprocessors to control the entire loader assembly.

Rene Richou, the official in charge of the automatic loader's development, explained: "Creusot-Loire Industrie has now fully mastered the use of microprocessors and advanced computer languages. This is a convincing demonstration of the company's ability to adapt and also its determination not to remain confined to production of heavy machinery." Production of this automatic loader is expected to constitute about 15 percent of the Saint-Chamond plant's operations.

A tank's basic components--turret, gun, armor--have all evolved with the Leclerc. The same is true of the Leclerc's mobility, in other words its engine, transmission, and suspension. Its Unidiesel engine is built by the Mechanical Engineering Company of Surgeres (SSCM), a member of the SCAM (Alsation Mechanical Engineering Company) group (2,000 employees), a specialist in large diesel engines for railroads, the navy, and also for use as power generators.

The Leclerc's V8X-1500 engine is based on a Unidiesel industrial engine. The Leclerc's 16.5-liter engine has a normal rating of 300 horsepower, a rating of 900 horsepower with a conventional supercharger, and 1,500 horsepower with a turbocharger using the Suralmo-Hyperbar process. This truly revolutionary diesel engine gives the Leclerc tank the world's best power-to weight ratio.

The company's official responsible for land-vehicle engines proudly claimed: "This highly compact engine has enabled us to cut 1 meter from the tank's overall length and eliminate one road wheel. We have largely outdone MTU, our principal competitor".

#### Civil, Marine, and Rail Applications

Design studies of the Unidiesel engine began in 1975. Its development phase will continue until 1990, at which time regular production is scheduled to get underway. This engine is a very important program for the SACM group. "It is one of the groups' principal projects," said an SACM executive. "Behind this engine's success there are export sales, on which we greatly depend, and also the engine's civil, marine, and rail applications". To lower its cost, this engine will be mass produced and its production organization upgraded. The Mulhouse plant will handle the machining of the engine. Responsibility for its assembly will be divided between Mulhouse for the largest engines and the Surgeres plant for those of up to 1,500 horsepower. In any case, the group will continue to subcontract some 60 percent of the production work, notably on crankshafts. "It is currently difficult to assess this engine's impact on our operations. It will certainly increase them by some 10 to 15 percent. I can tell you, however, that our participation in the Leclerc program will have a fantastically beneficial effect on the group's public and trade image, particularly abroad."

This idea of a better known and distinctive image was echoed by Jean-Paul Blass, sales manager of SESM, the Valeo group's military products division, when he was asked to comment on the Leclerc tank. "A production run of a few thousand units is no big deal for a group whose output numbers in the hundreds of thousands. In our view, the program's prime importance is its research and high technology aspect."

SESM was formed through the merger of two firms: SOMA (drive shafts for military trucks) and Minerva (tank transmissions). It joined the Valeo group 6 years ago. It already builds transmissions for the AMX-30B2 tank, and is now prime contractor for development and production of the Leclerc tank's ESM-500 transmission, a marvel of mechanical and hydraulic engineering!

Among other things, this transmission permits full-torque shifting, in other words, changing gears without loss of tractive power. Its hydrostatic steering mechanism allows the tank to pivot about its vertical axis. The transmission has a hydrodynamic brake coupled to disk brakes mounted on the drive sprockets. These brakes are also an SESM development.

In addition to microprocessors designed to ensure smooth operation, the Valeo group's subsidiary has achieved a major first, namely the use of SEP-made carbon-carbon disks for the brakes and clutch. "Thanks to this program, we have been able to study the new carbon-carbon composite technology that is inaccessible to the auto industry," noted Jean-Paul Blass. "We are thereby consolidating our position as Europe's number-one specialist in friction equipment."

From SESM's viewpoint, the Leclerc program's most attractive feature is thus its research aspect. Nevertheless, the resultant boost in SESM production is not insignificant. Especially for the group's plants that are going to build and assemble Leclerc transmissions on an equal production footing with the Roanne arsenal.

As for the final aspect of mobility, namely the suspension system, no final decision has yet been made. The AMX-APX staff is still evaluating two possible solutions. One is the traditional torsion bar suspension built by Roanne with rotary shock absorbers made by Bronzavia or Domange-Jaret (they equip the prototype tank). The other possible choice is a hydropneumatic system. Two companies and two processes are competing for this latter option. Messier Auto Industrie (MAI), a subsidiary of the equipment manufacturer Lucas France, is offering a piston system, while SAMM [Power Machinery Applications Company], a subsidiary of the PSA group, has proposed a membrane system derived from the Citroen suspension concept.

The stakes involved are high for both of these firms. First for MAI, 60 percent of whose business is in military sales, but above all for SAMM. "For us", said Sylvere Dubus, head of SAMM's armament division, "this program is vital. The programs in which we are currently participating, the AMX-30 and AMX-10, are about to end. We must participate in the Leclerc program at all costs."

Lastly, the most impatient parties are the subcontractors for the GIAT arsenals. These subcontractors have been most unhappy ever since the Tarbes and Roanne arsenals withdrew much of the work usually assigned to subcontractors and began doing it in-house. At Tarbes, for example, one-third of the 3,700 hours required to build and assemble a turret can be subcontracted (tooling, engineering, surface treatment).

"At the present time, I am obliged to do work that could be done elsewhere more economically", explained Pierre Cation, manager of the Tarbes arsenal. "With the Leclerc tank I could begin once again to subcontract up to 25 percent of my workload, and even a higher percentage of any electrical work." At Roanne, it is the same story. That arsenal buys everything it cannot itself produce and subcontracts part of its production, such as metal fabrications, crankcase or geartrain parts and chassis components. Manager Roussile of the Roanne arsenal reechoed the optimistic forecast made by his Tarbes counterpart: "With the Leclerc program we expect to regain our usual level of subcontracting, namely 15 to 20 percent."

The arms industry will not be the only industry to benefit from the Leclerc program. The entire machine-tool industry will indirectly benefit, because GIAT will use this occasion to expedite modernization of its production machinery and test facilities. The latter will be the case particularly in the Bourges and Angers arsenals where engines and transmissions are tested.

A major effort is being made to improve production facilities. First of all, a CAD/CAM [computer-aided design and manufacturing] system is being installed in each arsenal along with a computerized data-transmission system relaying information updates via the Telecom 1 satellite. A total of more than 100 million francs is being invested in these systems. As for manufacturing proper, current plans call for two types of facilities. The first consists of flexible manufacturing facilities each comprising four to six computer-controlled machines plus an automated system controlling the flow and handling of materials and parts. Total cost of each such facility is 50 million francs. The second type are the less costly--5 to 10 million francs each--flexible manufacturing cells, each consisting of two machines and one robot. "In 15 years, there will no longer be any conventional machines," predicted Jean-Pierre Malardel, DAT's personnel and industrial facilities director. "To that end, we are investing 500 million francs per year, including 250 million for machine tools." This is a windfall for the machine-tool industry and likewise for the manufacturers of automatic test equipment. The increased use of electronics has led to increased use of such test stands and systems as Aerospatiale's Avec or SFENA's Sesame.

The use of new techniques and processes prompted by the Leclerc program will transform traditional metal forming and metalworking methods. One such technique is the thermal cutting of sections for the tank's hull or turret armor. Oxyacetylene cutting equipment can no longer be used on composite materials or on the new "doubly-hardened" steels. Hence the arsenals will be equipped with plasma or laser cutting machines. A CI2000 made by Limoges Precision and a Cilas 2,000-horsepower generator are to be delivered to the Tarbes plant. Another difficulty is the positioning of the 150 to 200 sections comprising the turret's armor. The solution is a robotic positioning and automatic welding system designed in cooperation with the INSA [National Institute of Applied Science] in Lyon. Lastly, to weld the entire turret, the Tarbes arsenal has asked the CGA-HBS to develop and produce a nine-axes welding robot capable of welding the outside and especially the inside, and also a device that automatically checks each weld to determine whether there is any buckling or distortion due to the length of the sections of armor plate. This specialized equipment is the first of its kind in the world.

#### Production Rate to Increase in 1992

Frederic Clement is responsible for studying the installation of new manufacturing systems in the Tarbes arsenal. This 26-year old alumnus of the Ecole Polytechnique has become an enthusiastic advocate of CAD-CAM systems. At the same time, he continues to head the arsenal's 500-employee shop responsible for construction of tank hulls and final assembly of complete tanks. As a result, Frederic Clement finds himself simultaneously managing two projects. The first is a six-axes welding robot equipped with a laser-illuminated weld inspection unit, developed in cooperation with CGA-HBS. The

second project is a hull machinery center with automatic reprogramming of machine tools according to the hull's position. "In my visits to our German and American competitors, I never saw anything similar," said Frederic Clement. "I believe that we shall have a unique machining center."

As for the final assembly of the tank, it will no longer be done on an assembly line but in a special compartment." Two or three specialists will perform all assembly tasks and conduct all tests. This will take them approximately 1 month. "This system requires a major investment in skilled personnel. But it will pay off in quality inasmuch as each assembler is held accountable for all work done on the tank."

This philosophy will prove to be productive when the rate of production has to be increased to 15 tanks per month in 1992. Although the Leclerc tank is being built for the French Army, it also will, in effect, have to establish its credentials as a reliable weapon system. If successful in this effort, it will then be able to tackle export markets with a considerable number of points in its favor.

#### Georges Dubot, Leclerc Program's Key Man

Georges Dubot, 41, is the Leclerc program's key man. He views Leclerc "first of all, as a tremendous high technology research program, and secondly, as an industrial project whose financial impact is vital to several sectors of the arms industry". In fact, it is an appropriation of 35 billion francs to be divided among some 10 firms.

George Dubot's engineering and industrial experience have thoroughly prepared him to manage all aspects of the program.

An Ecole Polytechnique alumnus and highly competent scientist, he is also a graduate of the National Higher School of Advanced Engineering. His first assignment was as a researcher at the SNPE [National Propellant and Explosives Company] where he obtained his engineering doctorate. He then conducted 4 years of research on armor protection for tanks at the Main Armament Engineering Facility (ETCA) in Arcueil. This research was undoubtedly a precursory sign of his present assignment. Dubost then served as an assistant to the deputy director for industrial equipment in the Ministry of Industry. He recalled how "that position made me highly conscious of industrial policy problems. I was in charge of industrial structural reorganization matters and industrial development assistance."

Thoroughly familiar with industry's problems, he is now applying himself to finding a happy medium between the occasionally divergent interests of GIAT, the Leclerc program's prime contractor, and the participating manufacturers. "Certain manufacturers have been brought into the program from the very start of the development phase," he explained. "But this does not necessarily mean they will participate in the entire program. They will be selected for the production phase provided they have performed satisfactorily in the development phase." Hence the firms in question are being subjected to continuous quality control inspections and continuous evaluation of their internal organization, all under the threat of being withdrawn from the program if their performance is deemed unsatisfactory.

But George Dubot does not merely wield a big stick. He also offers a carrot to those firms that limit costs. "I give them a financial incentive to cut costs. The more the manufacturer is competitive, the greater his margin of profit."

Another important point of Dubot's industrial policy is the dual-source principle. Hence those manufacturers who in a certain number of cases were not selected for the development phase can still hope to participate in the production phase as a second source.

#### New DGA

The reorganization of the General Delegation for Armament (GDA) recently announced by Defense Minister Andre Giraud is designed to provide more efficient arbitration between three areas of responsibility that are not necessarily compatible. These areas are: design and procurement of materiel for the armed forces, monitoring of the arms industry, and development of export sales.

This arbitration task has been assigned to the new delegate general, Jacques Chevalier, a 64-year old Ecole Polytechnique graduate, who will be assisted by Marcel Benichou, 55. The latter has been named delegate for armament programs, but in the capacity of deputy delegate general, in other words, with full authority over all military services for matters within his purview.

To underscore the importance of his duties and give him rank comparable to that of his foreign colleagues, the new director of international affairs, Henri Conze, 47, has been appointed delegate for international relations.

These various appointments constitute the first phase of Andre Giraud's program. They pave the way for a second phase consisting of an in-depth reform of the operation of the arsenals. This reform will affect their financial systems, their management, and their mission.

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ECONOMIC

GREECE

# ILLEGAL FLIGHT OF CAPITAL: ECONOMY'S 'ACHILLES HEEL'

Athens TO VIMA in Greek 1 Jun 86 pp 27-30

/Article by Dr. Alexandros F. Paparsenos: \* "Drachma Smuggling"7

/Text7 Until September 1985 Greek deposits abroad amounted to 5.2 billion dollars! Even though this sum is below certain unreliable estimates which raise it to 20 billion dollars, the sum of 5.2 billion dollars is indeed appalling in the context of our economy's magnitude, ability and strength.

The illegal flight /of exchange7 between 1979 and 1984 reached 1.2 billion dollars, i.e., 10 percent of the country's total foreign debt! This, despite the repatriation of approximately 280 million dollars in 1983. The illegal outflow of capital reached a new record in the 1980-81 2-year period and amounted to approximately 60 percent of the total outflow in the 1979-85 period.

These are useful conclusions, especially for the major opposition party. During the 1983-84 period the outflow slowed down thanks primarily to the interest rates' policy the government followed at that time.

High inflation, balance of payments' deficits, an irrational exchange, monetary and credit policies, especially a poor interest rates' policy, and a flexible sense of duty on the part of the business community, are among the factors which led to the continuation of this illegal, dangerous, and harmful activity which has contributed to the drying up of our foreign exchange resources.

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\* Paparsenos is an economist, a Ph.D. from the Universities of Athens and the Sorbonne, and a specialist in lending by Eurobanks. He has worked at the National Bank in Paris and as a press attache in the Paris Greek Embassy until last March.

The analysis offered today by TO VIMA includes suggestions of specific and mutually complimentary short- and medium-term measures for bringing about a slowdown and complete stop to this illegal outflow. Some of these measures could certainly be adopted by the present government without deviating from the main lines of its sociopolitical program.

The illegal outflow of capital has recently caused serious problems in the developing countries. Extensive unemployment, an increase in the foreign debt, and the large balance of payments deficits in most of these countries are mostly due to the mass outflow of foreign exchange. As an illustration we mention that in the 1979-85 period the total outflow of capital from Mexico, Venezuela, and Argentina reached 90 billion dollars. 2/

A rapid rise in foreign debt, large deficits in the balance of current accounts, the decline in investments and the rise in unemployment have also occurred in Greece in the last 10 years and are due largely to illegal outflow of capital. Exporters of goods and services always delay the import and transfer of foreign exchange to the Bank of Greece.

Both an OECD and a Bank of Greece report noted an outflow of capital from tourism. 3/ Recent reports in the Greek press here and abroad claimed that precious foreign exchange fled abroad through the payment of "idle interest charges" for loans which were never received and through overpricing of imported machinery. 4/

According to the International Monetary Fund, deposits by Greeks in foreign banks abroad exceeded 5.2 billion dollars at the end of September 1985. A significant part of these deposits is due to the illegal outflow of capital from out country in the last 30 years.

#### Foreign Debt

We can estimate the illegal outflow of foreign exchange if we know the annual changes in foreign debt (both public and private), foreign exchange reserves, and annual developments in the balance of payments.

In the case of our country, since it is impossible for the Bank of Greece to separate the funds brought in by private enterprises, with or without the procedure of Legislative Decree 2687/53, between direct investments and

2/ Banque Mondiale, Rapport sur le developpement dans le Monde 1985, p 72. Morgan G.T.C. World Financial Markets, February 1986, p 6.

3/ OECD Report on Greece (August 1980, p 27). It noted the outflow of foreign exchange in the tourist sector for the 1979-80 2-year period. A loss was noted in the same sector for 1983 by the Bank of Greece (report by the governor of the bank for the year 1983, p 112).

4/ IMF, IFS, March 1986, p 61.

operational capital, we apply the following method to estimate the outflow:

We deduct from the total foreign debt of Greece the private foreign debt and then we examine the annual changes in the public external debt, foreign exchange reserves, and development of the balance of payments prior to public borrowing (by the Bank of Greece, Central Administration, public enterprises and agencies, etc.).

If, for example, public foreign debt increased in 1985 by 3 dollars and foreign exchange reserves increased by 1 dollar, this means the deficit of our public debt prior to public borrowing was 2 dollars in the same year. In other words, a country, within a given period, cannot accumulate public foreign debt higher than the deficit of the balance of payments prior to public borrowing (assuming that foreign exchange reserves remain unchanged).

Our estimate of Greece's total foreign debt differs from the official estimate (of the Bank of Greece) both for 1983 and 1984. At the end of 1983 the medium- and long-term foreign debt, according to the official version, reached 8.1 billion dollars <sup>5/</sup>, and more specifically, 8,193 million dollars. <sup>6/</sup> But the latest OECD report on Greece tells us that the Bank of Greece estimates our country's foreign debt--medium- and long-term--at 8,596 million dollars at the end of 1983.

In Table 1 the reader will note that our estimate of the total foreign debt (10.96 million dollars) differs by 400 million dollars from the official estimate (10.562 million).

For 1984 our estimate of the total foreign debt is higher by 470 million dollars from that given by the Bank of Greece. Our estimate coincides with that of another study. <sup>7/</sup>

With regard to public foreign debt (Bank of Greece, Central Administration, public enterprises and agencies) which, according to official data, represented 68 percent in 1983 and 72 percent in 1984 of the total foreign debt <sup>8/</sup>our estimate<sup>7/</sup>, was higher than that of the official version by 273 million dollars in 1983 and 365 million in 1984.

On the contrary, if we were to accept the Bank of Greece's estimates for 1983 we would have, instead of a net outflow, a net inflow of 230 million dollars, but the Bank itself notes that in 1983 "there was an outflow in the sector of tourism" and that "the negative real interest rates in Greece

<sup>5/</sup> Bank of Greece, Report by the Governor for the Year 1983, p 14.

<sup>6/</sup> Banque Mondiale, World Debt Tables 1984-85, p 282.

<sup>7/</sup> U. S. Department of Commerce, Greece, October 1985.

<sup>8/</sup> OECD, Report on Greece, January 1986, Table 18, p 44.

continue to exert a negative influence on the balance of payments." <sup>9/</sup> Also, an OECD report emphasized that the government would be unable to reach certain of its goals because of the loss of foreign exchange. <sup>10/</sup>

We must say the same for 1984 since both the OECD and Bank of Greece reports (by the governor of the Bank for 1984, p 70) noted the loss of foreign exchange, although in Table 1, it appears there was no loss (just 2 million dollars).

Table 1

Outflow and Foreign Debt (in million dollars)

	1979	1980	1981	1982	1983	1984
A	4,903	6,399	7,876	9,499	10,965	12,760
B	2,809	3,781	4,707	6,073	7,460	9,190
C	262	972	926	1,366	1,387	1,730
D	+47	-1	-329	-177	+30	+58
E	-131	-655	-848	-1,250	-1,314	-1,578
F	+84	+318	+407	+293	+43	+94

Total for the 1979-84 period: outflow = 1,239 million dollars.  
According to Bank of Greece data.

A	4,903	6,399	7,878	9,499	10,562	12,286
B	2,809	3,781	4,707	7,073	7,187	8,825
C	262	972	926	1,366	1,114	1,638
D	+84	+318	+407	+293	-230	+2

Total for the 1979-84 period: Outflow = 874 million dollars.

- A. Foreign debt of Greece (private and public).
- B. External debt of the Bank of Greece, Central Administration, public enterprises.
- C. Annual change in B.
- D. Annual change in foreign exchange reserves (+ = increase; - = decrease).
- E. Balance of payments prior to borrowing by the Bank of Greece and the public sector.
- F. Annual outflow of foreign exchange (C minus E minus the increase of foreign exchange reserves).

Sources:

- a. OECD, Report on Greece, January 1986, Table 19.
- b. Bank of Greece, Reports by the Governor (1980-84).
- c. Bank of Greece, Directorate of Economic Studies, Economic Developments Indices, December 1985; and our estimates of foreign debt for the 1983-84 period.

<sup>9/</sup> Bank of Greece, Report by the Governor for 1983, pp 17, 112.

<sup>10/</sup> OECD, Report on Greece, November 1983, pp 33, 57, 58.

We note, then, that the net outflow in the 1979-84 period reached 1.2 billion dollars (74 billion drachmas) or 10 percent of the total external debt. 11/ Therefore, the foreign exchange outflow is a significant factor in the rise of our foreign debt.

### Illegal Outflow of Capital

The illegal outflow of capital from Greece, as in any other industrial or developing country, is due to factors of domestic or foreign origin. In other words, there is pressure for the export of capital whenever serious imbalances appear in basic macroeconomic items in the economy (such as high inflation, high unemployment, deficits in the balance of payments exceeding 5 percent of the GNP, etc.) causing lack of confidence in the national currency.

The absence of national loyalty by certain citizens also contributes to tax evasion and the loss of foreign exchange. Also, the multinational corporations manage to export capital from the countries in which they have installations, by resorting to "accounting tricks."

Finally, it is necessary to point out that the growth of the Euromarket in the last 25 years and the simultaneous appearance of "safe countries" which absorb capital by offering attractive terms to any depositor have played a significant role in the export of capital from most countries. As far as Greece is concerned, we could make the following observations with the aid of Table 2:

A. The high mark in capital outflow took place in the 1980-81 2-year period (58.8 percent of total outflow during the period). A non-rational foreign exchange, monetary and credit policies applied by the New Democracy in 1980 and in the first 10 months of 1981, the overall slackening of its economic policy during the 1981 pre-election period and the reaction--isolated or organized--by certain people to the expected victory of PASOK, were the basic factors for the massive outflow during this period.

ND might argue that its foreign exchange policy in 1980-81 was designed to curb inflation, but in 1980 and 1981 inflation exceeded by 6.5 percentage points that of 1979, thus reaching the highest level our country has faced in the last 30 years (with the exception of 1974).

As concerns the interest rate policy--high negative real interest rates for depositors, therefore more favorable lending rates for investors--and the high pace of financing by the private sector, ND could justify these measures as an effort to achieve a more favorable investment climate. But gross

11/ Change of the foreign exchange outflow into drachmas was based on average dollar prices (fixing) for 1981-84 and sale prices for 1979-80. In billions of drachmas the following sums fled in 1979: 3.2; 1980 - 13.6; 1981 - 22.5; 1982 - 19.6; 1983 - 3.7; 1984 - 10.6. Total: 73.2 billion drachmas.

investment in the private sector declined in constant prices by 7.8 percent in 1980 and 9.9 percent in 1981 compared to a rise of 8.2 percent in 1979.

B. The interest rates' policy as well as the foreign exchange and credit policy applied by PASOK in 1983-84 was wise and led to a five-fold decline in foreign exchange outflow, compared to the period 1980-82.

Two conclusions derive from our analysis:

1. When the real devaluation of the drachma in relation to the dollar and the European Monetary Unit (EMU) was accompanied by the real devaluation of the drachma in relation to the German mark (DM), capital outflow was drastically reduced. This means that Greek businessmen and the public are more sensitive to the drachma/mark real parity.

Therefore, we see that in 1980 the high negative real interest rates for domestic deposits were accompanied by a real devaluation of the drachma in relation to the dollar and the EMU and by a real revaluation in relation to the mark. In that year the outflow was heavy. In 1983 the interest rates for deposits were more favorable compared to those for 1979-82, and the permanent residents in Greece were allowed to open accounts for term deposits in foreign exchange. The real loss of the drachma in relation to the dollar and EMU is considerable.

All these explain the slowdown and outflow, but in our view the main reasons for the 1983 decline in outflow of capital were two factors: the decline of credit for the private sector and the real devaluation (the only one in the period under examination) of the drachma in relation to the mark.

By contrast, in 1984 foreign exchange outflow doubled compared to 1983, although the true loss of the drachma in relation to the dollar was big (7.7 percent) and the real interest rates for deposits were not only more favorable compared to those of 1983 but at the same time the interest rates of one category of deposits in Greece were positive for the first time in 10 years.

There must have been two factors which exercised pressure for a greater outflow of capital from Greece in 1984 compared to 1983: some government inertia during the pre-election period for the Euroelections and particularly the real revaluation of the drachma in relation to the mark.

The special sensitivity of the Greek public to the real drachma/mark parity can be explained both by Germany's economic strength in the European and world setting as well as by Greece's relations with that country.

Imports and exports of our country from and to Germany amounted to 19 and 17 percent of total Greek exports and imports (average in the 1979-84 period), i.e., one fifth of the total Greek foreign trade is with Germany. Moreover, the fact that thousands of Greeks worked and are still working in Germany means that a large percentage of the Greek population pays special attention

Table 2

Real Devaluation (-) or Revaluation (+) of the Drachma; Real Interest Rates in Greece and Financing of the Private Sector

	Outflow (million dollars)	% Inflation	D R A C H M A					Interest Rates of Deposits		Bank Loans to Industry
			Relation to Dollar	Relation to EMU	Relation to DM	6 months to 1 year	Over 1 year			
1979	84	19.0	+6.9	-	+5.5	-6.0	-3.0	20.2		
1980	318	24.9	-1.7	-1.6	+5.6	-9.4	-4.9	25.9		
1981	407	24.5	-8.9	+9.5	+14.0	-9.0	-4.5	32.0		
1982	293	21.0	-2.3	+5.6	+4.8	-5.5	-1.0	22.9		
1983	43	20.2	-7.1	-3.7	-3.6	-4.7	-0.2	16.0		
1984	94	18.5	-7.7	+0.7	+3.5	-2.5	+1.5	19.0		

To estimate the true exchange parities of the drachma--average percentage point changes compared to the preceding period--we deduct from the devaluation of the drachma in relation to the dollar, EMU, and the DM the difference of inflation (consumer price index) between Greece and the United States, Greece and the EEC, and Greece and Germany.

The real interest rate in Greece: Nominal interest rate minus inflation (consumer price index). For deposits of over 1 year we use the interest rate given to deposits exceeding 3 million drachmas. For bank financing (loans) percentage point changes are compared to the preceding period.

Sources: Processing data from: Reports of the Governor of the Bank of Greece (1980-85); Monthly Statistical Bulletins of the Bank of Greece; Bank of Greece Directorate of Economic Studies, Economic Development Indices, December 1985; IMF, World Economic Outlook, April 1985.

to the currency developments in Greece and Germany and to the real exchange rate of the drachma to the mark. 12/

2. The high negative real interest rates for deposits in Greece contributed, to a large extent, to the mass exodus of capital in 1979-82. But what deserves special notice is the relationship between the rise in bank credits for the private sector--industrial--and changes in the exchange outflow.

By way of illustration we mention that in 1981 increases of credits to industry by 6 percentage points compared to that of 1980 is accompanied by the largest exodus of capital in the period under discussion. On the contrary, in 1983, the PASOK government increased interest rates for certain categories of loans, increased low interest rates accorded to certain branches (such as the tobacco industry and flour mills), abolished low interest rates for the financing of exports and gave more emphasis to the control of credits by the banking system.

Thus, while in 1981 negative real interest rates led to a rise in the demand for loans, in 1983 the more rational policy for interest rates on loans contributed to a slowdown in the increase of credit to industry by 7 percentage points compared to 1982.

The decline in industry credit availability in 1983 coincided with a decline ...in capital flight to other countries. It appears that "lazy entrepreneurs" 13/ were unable that year to contract large loans at favorable terms and this resulted in a slowdown of the flight of capital.

Therefore, the abolition of favorable terms for loans to the private sector and control over the credit policies of the banking system limit the domestic flow of credit and this slows down the flight of capital abroad.

The slowdown in outflow during 1983-84 unfortunately did not continue into 1985. In its report on Greece, OECD (January 1986, pp 18, 51) noted that outflow of foreign exchange increased considerably in 1985 compared to the previous years. Preliminary data we have do not allow an evaluation of the 1985 outflow, but we have indications that the flight of capital last year reached (if it did not exceed) the levels of the 1980-81 period.

12/ By contrast, all reports of the Bank of Greece in the last 6 years say that the Greek public is particularly sensitive to the relationship of the drachma to the dollar. Economists of the OECD believe the same thing (see the latest OECD report on Greece, p 72).

13/ "For those doing something good," Socrates said that "they work and are good workers, while those who play dice or do something evil and harmful are lazy" (regardless of whether they work), Xenophon, *Memoirs*, A' Volume, p 21, A Zakharopoulos Edition. Therefore, lazy entrepreneurs are those who borrow and use part of the loan not for investment but to send abroad causing harm to our country.

By way of illustration we mention that according to the IMF data, deposits by Greeks to foreign banks abroad from 4.55 billion dollars at the end of March 1985 reached 5.25 billion dollars by the end of September 1985, i.e., in the 6-month period it increased by 600 million dollars. 14/

Several factors encouraged this mass flight of capital last year: the complete relaxation of the PASOK government's economic policy and the inertia of the first cabinet after the June election; and the real revaluation of the drachma in relation to the mark during the first 6 months of 1985. (While the devaluation of the drachma in relation to the dollar amounted to 16.5 percent during this period, thus offsetting the difference of inflation between Greece and the USA, the devaluation of the drachma in relation to the mark at only 4 percent left a considerable margin between the inflation levels in Greece and Germany); the maintenance of high inflation which, in combination with the real revaluation of the drachma in relation to the mark, led most exporters to delay, in the first 8 months of 1985, the change of their foreign exchange into drachmas; the unfavorable development of interest rates for deposits in the last quarter because of the considerable increase in consumer prices in the same period; and the commotion--natural up to a point--which was caused in the market place by the announcement of the economic measures (11 October) which, however, lasted till the end of the year and encouraged the black market in foreign currencies.

#### Negative Factors

The message from this analysis is that the flight of foreign exchange in the last 7 years is due to the lack of confidence in the national currency because of the structural imbalances of the Greek economy and the absence of national consciousness in a small segment of the Greek people. But it is also due to the relaxation of the government's economic policies during pre-election periods, the erroneous exchange and credit policy and to the non-rational policy on interest rates. Since the outflow of foreign exchange is a cause for a rise in our foreign debt, it is imperative we take appropriate measures to correct the imbalances of the Greek economy and to discourage the flight of capital from our country.

Therefore, the targets of government policy must be:

--On a short-term basis, the leveling of domestic and foreign imbalances and the discouraging of foreign exchange outflow.

--On a medium-long term basis, elimination of foreign and domestic imbalances and the repatriation of most Greek deposits presently abroad.

On the short-term basis, discouraging outflow of capital implies a more effective capture of taxes, a rational monetary and exchange policy and a

14/ IMF, IFS, March 1986, p 61.

prudent policy on interest rates. We must create motives for the honest taxpayers, apply the added value tax--despite its effect on inflation--carefully check on the development of value-volume in imports and exports, closely control services and private occupations, and apply accounting control to the monopolies as soon as possible if there is to be success of the governmental policy in the difficult task of combatting tax evasion and the flight of capital.

At the same time the real interest rates in Greece for deposits must become positive, the change in monetary volumes must be harmonized with the gradual widening of domestic supply, and bank credits to lazy entrepreneurs must be avoided. Moreover, the foreign exchange policy must be dynamic and flexible, giving greater weight to the actual relation of the drachma to the German mark.

All the above must be applied side by side with a substantial reduction in public deficits to bring about a toning down of domestic (reduction of inflation, fewer consumer expenditures, etc.) and foreign (reduction of imports, slower rise in the foreign debt) imbalances.

To reduce public deficits it is necessary to quickly do the following:

- A. Socialized enterprises and agencies must operate with strictly private-economy criteria;
- B. Viable "problematic" enterprises must be restructured, while those which are not viable must be closed down because their continuing operation burdens the whole economy;
- C. Ministries, socialized enterprises, and other public entities must be manned with the best cadres our country has, on the basis of merit alone. In other words, there must be an evaluation of everyone at the highest levels of the hierarchy and "those who neither in deed nor in word have been useful because they have been unable to serve this army and this city, or to aid the people, and if, moreover, they were brash, they should be removed." 15/

To prevent a further increase in unemployment, the most critical macro-economic item in the economy, with the application of the above measures, is necessary here and now and as a sequence to the stabilization policy introduced on 11 October 1985, to establish for industry the possibility of deducting from taxable income the amount of productive investments which create new jobs. Moreover, it will be necessary to apply in industry a moderate but just income policy in which compensation will be in line with productivity.

On the medium-long term basis, the elimination of structural imbalances in the Greek economy and repatriation of some of the escaping capital requires

15/ Xenophon, Ibid., p 22.

term measures we mentioned above to prove that its vision is the creation of a modern national economy where all Greeks will work and prosper.

However, by implementing those measures, it will help the Greek people and the political leaders to draw certain conclusions:

--Whether, that is, the private sector today is capable of investing rationally and whether "the private initiative and industry do not play politics but deal with the economic policies of the PASOK government exclusively with economic and developmental criteria;" 17/ and,

--Whether the monies illegally sent abroad by Greeks and deposited in foreign banks, and which exceed 5 billion dollars, are lost forever to the Greek economy and society.

We shall close this article with the observation that the repatriation of this sum and its effective investment in Greece will create approximately 250,000 new jobs...

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End

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17/ The Association of Greek Manufacturers Bulletin, No 469, May 1985.

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